The Human Side of Business

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By

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INTRODUCTION

Every person who works for a livelihood has something to sell. This is a fact not usually realized by those concerned, yet a lawyer barters his services, a physician his professional skill, a manufacturer his product, an actor his power to entertain, and a mechanic his technical labor. Whether one be a vender of goods, services, knowledge, ability or credit, it is self-evident that to obtain the most remunerative results he must make the proper presentation of what he has and the most effective use of his natural talents.

Since human nature is the same the world over, it follows that the personal methods which are productive in one instance will be in another, and that there are certain underlying principles that can be commonly applied. The libraries are well stocked with business literature, but the fact remains that nearly all of the available publications are so general in character that they have little tangible value or else are so technical that they are of use only in special lines.

The purpose of this book is to portray a phase of business that, from a practical point of view, is more important than all the others.

It is the human side, whether it be called the psychology of salesmanship, the personal equation, or the fourth dimension, and it is particularly well illustrated by one specific business,—the marketing of bonds, because the latter appeals directly to the mental processes and is the highest type of salesmanship. The plan, then, is to explain the personal methods which were used effectively in building up a dominant organization, with the idea that they are capable of adaptation, and if in this attempt the writer digresses somewhat from the direct path or appears to draw too frequently upon his own experience, it is to give a concrete view of the subject and for the sake of clearness.

In the training of bond men there has long been felt the need of a real handbook relative to the subject,—one that adequately treated of personality in selling and of the means that should be employed to develop an intimate and profitable relationship between salesman and customer; that set forth the broad field open to individuality and explained the most effective courses of thought and action; and that would make men realize that in themselves lay the opportunities they sought and would enthuse them and inspire them to greater effort.

In the Spring of 1913 the writer adopted the plan of employing simultaneously a number of inexperienced men as raw material for salesmen. Theretofore the training of two or three individuals at one time was comparatively simple on account of the possibility of giving personal attention to each one but with the advent of a larger group, this method became impracticable and the necessity arose of finding some way of training men wholesale. The experiment was therefore tried of collective coaching through a course of ten lectures of a very practical nature given by the writer and various members of his organization. They were informal in character, for the most part extemporaneous, and were reported stenographically.

As these talks were somewhat different from the usual type of financial exposition and far more interesting, extracts are given here from the four least technical ones, and each is represented by a chapter. Attention was paid to neither rhetoric nor diction, but simply to a clear and forceful presentation of the subject. Furthermore, some of the continuity was lost by the speakers being interrupted with questions and by the inability of the stenographer to take down the discussions accurately and in their entirety. The first one (Chapter IX) was delivered by the writer and the other three

(Chapters X, XI, and XII) by members of his staff on outlines which he prepared, and all of them were edited by him, as well as was possible to do from the stenographer's notes without spoiling the directness of speech of the lecturer.

Incidentally the three chapters named show how certain men, without previous knowledge of the business and with limited experience, by being coached in accordance with well defined methods and a consistent policy, developed into three of the most successful salesmen of the time. Each had naturally found his own way of expressing himself but the fundamental training underlying the experiences given, was the result of patient tutoring and carefully conceived plans.

The ideas outlined herein are not the fruit of idle speculation but the result of close application over a period of fourteen years during which the writer advanced from the lowest position to the highest, in the second largest bond distributing house in this country. So while this book falls far short as a literary work, it is based upon broad, practical experience and on that account may help to supply an existing deficiency.

FREDERICK PEIRCE.

June 1, 1917.

CHAPTER I

THE BOND BUSINESS

According to the accepted economic definition all goods, property and commodities constitute wealth. The latter is divided into two classes. The first is unproductive and includes undeveloped real estate, residences, pleasure cars, works of art, and all articles used or consumed in the comfort and enjoyment of mankind. Such things have both actual and exchange value but since they do not in themselves contribute to the increase in the world's stock of goods, are simple wealth. The second or other class includes factories, machinery, railroads, ships and all property which in any way aids in the manufacture or creation of additional commodities. It is productive wealth or capital. Capital, then, is that part of wealth which is used to produce other wealth. This use may be either by its owner or by some one else to whom it is loaned. Therefore one man's wealth may serve as another man's capital.

Since all goods can not conveniently be passed from hand to hand, from one owner to another, or from a lender to a borrower, it is necessary to have a recognized standard of value or medium of exchange. Owing to its superior advantages this standard, in practically all civilized countries, is gold. For the purposes of appraisement, exchange or loan, then, wealth is expressed in terms of the gold dollar or its equivalent.

Because capital has the power of reproduction its use has an exchange or rental value which is called interest. The productivity of capital depends upon the efficiency with which it is employed. Consequently the rate of interest that may be charged is based upon the relative productivity of capital at a given time in conjunction with the degree of risk to which it may be subjected.

Capital that is loaned is usually evidenced by interest bearing obligations such as notes or bonds. If, on the other hand, it is supplied by two or more owners jointly, and used by them directly it is generally represented by partnership shares if the association is unincorporated, or if incorporated, by evidences of proportionate interest called stock certificates. The stockholder is an owner and entitled to profits or dividends if earned, while the bondholder is a creditor and entitled to interest on the money he has loaned.

Since the bondholder is a creditor, he has first claim on the assets up to the full amount of his claim and in accordance with the terms of the agreement. He likewise has first call on the surplus earnings from operation up to the amount of the annual interest accruing to him, and to the amount of his principal at the maturity of the loan. The stockholder assumes the operating risk but is entitled to the profits of the business after the claims of the bondholder are satisfied.

Surplus wealth accumulates most rapidly in the older, richer and more developed sections of country or lines of industry where it is least needed. Its tendency there is to become less productive or idle and its loan value or rate of interest to decline. Capital is in greatest demand in the newer and undeveloped places or industries where there has been least opportunity for surplus wealth to accumulate. On account of the profitableness with which it can here be employed, the tendency is for its loan value to increase. Capital is constantly seeking investment opportunities and vice versa. Supply and demand tend to equalize and the resultant is a normal rate of interest. This equilibrium is often upset by abnormal conditions. Thus when the supply of available funds exceeds the demand, interest rates decline and when the demand exceeds the supply, interest rates rise exactly as does the cost of commodities under similar conditions. However, every action in one direction must inevitably be followed by a proportionate reaction or compensating movement and the normal is reached whenever the opposing forces approach a balance.

The development of the natural resources of a country and the creation and expansion of large agencies of production and distribution are usually financed largely through the use of borrowed money. It is seldom that any public or private corporation is able to provide its capital requirements from its own revenues. Stockholders or owners of railroads and industrial concerns sometimes advance part of the funds needed but usually outside sources must be drawn upon. The bond business supplies the machinery through which this is done. Through it unemployed capital becomes a productive force; and surplus wealth is transferred from the place where it has accumulated and become impotent to the place where it contributes directly to the creation of other wealth. The demand for suitable investments is just as insistent as the demand for capital, and the satisfying of this demand means the procuring of securities that are both safe and profitable. Thus the bond business has a double duty and performs a double service—providing capital for those who need it and supplying safe investments to those who require them. One function is the complement of the other and the failure of one means the failure of both.

The bond business is not a parasite in the economy of commercial and industrial progress. It occupies a position that is not only indispensable but one of the most important in modern life.

CHAPTER II

THE BOND MARKET

The average man probably thinks of the bond market as a circumscribed place or district where millionaires and bankers meet and carry on their negotiations for the purchase and sale of securities. Those of some financial experience may have a mental picture of a group of such districts located at points widely separated geographically, such as the various larger cities, but connected by a network of private wires and bound together by a community of interest as inseparable as that which ties together the various units of a legally divorced, modern industrial corporation. Still other people think of the bond market as being confined to the New York Stock Exchange and the few outside exchanges that follow its lead. Not one of these conceptions does justice to the enormous aggregation of wealth, and the great army of investors that constitute the real present day bond market, an institution that extends from ocean to ocean and from continent to continent, and embraces in its vast membership people of every nationality, of every color and of every degree in the social and economic scale. It is not exaggeration to say that wherever civilized people are found, there is the bond market. The financial districts are merely the focal points, the centers of influence and the clearing houses where the lenders and the borrowers meet through the aid of bankers, brokers and bond houses.

In this country (to which the present discussion is confined) an overwhelming percentage of the bond buyers is composed of people of moderate means. While the aggregate annual purchases of institutions and wealthy individuals reach an almost incomprehensible amount, it is doubtless true that the average sale of bonds for investment is in the neighborhood of only three thousand dollars. Likewise, the personal property of a large proportion of the bondholders amounts to less than twenty-five thousand dollars per person. Statistics on this point are not available and probably do not exist, but these estimates are based on a study of many thousands of transactions that have come under observation.

Investment specialization is probably the most pronounced characteristic of the bond market. Buyers may be classified according to their requirements. The latter may be compulsory by statute or voluntary according to the knowledge, whim or taste of the individual. While it is impossible to be familiar with all the various conditions and the legal restrictions existing in the different states, a general discussion of the subject with a few illustrations will indicate the many sides of the bond market from the buyer's point of view.

Insurance companies, particularly those writing life policies, annually absorb a large volume of securities. Each state has its own laws governing the investment of the capital and surplus funds of such companies. Usually the statutes are quite specific in the matter of capital investment and it is not unusual for it to be confined to the obligations of municipalities located in the states in which the companies are domiciled. Fire, accident and casualty companies are generally allowed a little more latitude than are life companies. With regard to the investment of surplus funds and policy reserves, the directors or trustees are usually given pretty free rein except that many states require foreign companies to deposit with them a certain amount of domestic securities before writing any business in those states. However, these special requirements affect only a small percentage of the investing done by insurance companies and we find them buying large amounts of municipal, railroad, public utility and occasionally of industrial bonds. The proportions vary according to local conditions and to the preferences and experience of those upon whom devolve the guardianship and protection of the policy holders. To give a comprehensive description of the laws of the various states governing the investment of the funds of insurance companies would require a book in itself, and be quite beyond the intent of this discussion.

Saving funds, that is savings banks without capital stock, are restricted in their investments more than any other class of institutions. These funds are largely confined to the New England and the Middle Atlantic States and the laws covering them are very specific. With few exceptions they are required to invest in real estate mortgages, high class municipal bonds and the best of the steam railroad securities. Many saving funds operate under special charters which antedate the state laws governing them. In Pennsylvania for example, nearly every one has a charter issued many years before the passage of the general act. Institutions of this character are in the nature of a charity in that they are not formed for profit. Therefore they are concerned more with the matter of safety than they are with the rate of interest. Savings banks with capital stock on the other hand are business corporations and are governed by the same laws as those which cover state banks and trust companies. There are, however, comparatively few banks of this character as a large proportion of state institutions operates under trust company charters.

Trustees of estates are generally subject to the same restrictions as those which apply to saving funds and the requirements of any one state are different from those of every other state. The best and most comprehensive laws are found in New York State and some of the New England States, where definite rules are laid down and within the prescribed limits, trustees are allowed some latitude in their selection of high class securities. In Pennsylvania the law is archaic and a distinct handicap to trustees; as well as a hardship to the beneficiaries for the only permissible investments are real estate first mortgages and bonds of municipalities located within the state. Consequently a premium is placed upon municipal bonds and mortgages of inferior quality, or else an estate must be satisfied with a comparatively low rate of interest. To avoid these two extremes, many wills contain express provisions waiving the law and relieving the trustees of any responsibility for errors of judgment.

Trust companies may invest in practically anything they desire subject only to the supervision of the state banking departments in order that their capital may not be impaired and their deposits jeopardized. Some states require that reserves must be maintained equal to a fixed per cent of the deposits, and that these reserves must be invested in certain specified classes of securities.

National banks have almost as much latitude as trust companies except that they are under the direction of the Comptroller of the Currency, whose supervision is more strict than is usually the case with state officials. Definite rules, however, are laid down by statute with regard to security for national bank notes, for government deposits and for postal savings funds.

The private investors or individual buyers are greater numerically than all the various institutional purchasers of securities combined. They constitute the great ultimate market, the market that buys to hold. Banks and trust companies as a general rule prefer to loan their funds to their depositors—to "grant accommodations" that will bring them additional business. Outside of their reserves, they look upon their bonds as liquid assets that can be converted into cash whenever they find it of advantage to do so. Therefore they are usually more interested in the ready marketability or the possibility of profit of a bond than they are in its permanent safety. Frequently they take participations in new issues with the avowed intention of reselling them whenever they can obtain a profit even though in so doing they place directly or indirectly upon the house of issue the burden of remarketing the securities at advanced prices. The individual investor, however, except in rare cases, buys to hold, with safety of principal the paramount consideration. Only a very small percentage of his purchases comes upon the market again. He is not such a close buyer as the institution, he invests more largely in the class of securities in which there is a reasonable amount of profit to the bond house, his business is not so competitive and he does not weaken the market by throwing over his holdings on the least provocation. For these reasons the private investor business is preferred by many bond houses and eagerly sought after by all of them.

Probably the one thing that causes the most sorrow to the conscientious bond house is the fact that so few customers, whether banks or individuals, can differentiate between good bonds and inferior ones. This, of course, makes it easier for the vendor of second rate and third rate goods, but it increases the difficulties of the house that is honestly endeavoring to handle only sound issues and by so doing to win and hold the confidence of the investing public.

CHAPTER III

THE BOND HOUSE

There are almost as many different kinds of bond houses or investment bankers as there are men of different ideas in the business. In other words, the methods pursued and the policy followed by any given firm are based upon the theories and experience of those who control and direct it, and likewise its standard of ethics is in proportion to the integrity of its head. There is probably no other business where the personal equation is so directly reflected in methods and policies. While it is neither possible nor expedient to attempt to give here in detail the distinguishing characteristics of all the different kinds of organizations that devote themselves wholly or in part to the selling of securities, a brief outline of some of the more prominent types is necessary to convey an intelligent idea of the scope and character of the business.

Certain large firms confine themselves exclusively to wholesaling. They are limited in number and each negotiates annually transactions aggregating hundreds of millions of dollars. They are known as exclusively underwriting or originating houses. Frequently in large operations two or more of them work together. They usually distribute their purchases through selling syndicates, composed of distributing houses and bond dealers generally. Sometimes there is an intermediate group or purchasing syndicate composed of the larger banks and distributors which takes the bonds off the hands of the wholesaling houses, and guarantees their sale through a selling syndicate, the members of which place the securities both through brokers and direct to customers. Thus, between the original borrower and the ultimate lender a bond may pass directly through the hands of four or more middlemen, each of whom levies his toll in turn. This, however, is an unavoidable feature of large financing, and the cost of the operation is not out of proportion to the service performed, though frequently the compensation is not divided in accordance with the responsibility assumed or the work done by the various participants.

The form of a syndicate varies according to the nature of the financing, but generally speaking a wholesale house buys from a government, municipality or corporation a block of bonds at a given price, and sells it at a higher price to a group of houses which in turn disposes of the issue at the final price to the ultimate consumers. For instance, a railroad corporation in financing its requirements might sell to a wholesale house a large issue of bonds at 95 (cents on the dollar). The wholesale house in turn might resell the entire block to a syndicate at say 97. The final selling price to the public might be fixed at 98½, and usually from this final price there would be a brokerage or commission to the distributing house, all or part of which commission might or might not be given up, according to the terms of the agreement, to brokerage houses not members of the syndicate. Syndicate members are entitled to the selling commission upon all bonds drawn down or placed by them, but the syndicate profit is divided not according to bonds sold but according to the proportionate participation or liability assumed by each member. If a syndicate is not a success, that is if the bonds do not prove a ready sale, the unsold balance is usually divided among the members in proportion to their participations. The writer has long felt that syndicates as an institution were not fair to those who did the most work and obtained the largest results and to offset this, he provided in a syndicate which he had occasion to form some time ago, that the profits should be divided two-thirds according to the amount of bonds sold by each member and one-third in proportion to the contingent liability assumed by each.

This same view is common to many other dealers and during the past two or three years there has been an evident attempt to equalize matters by providing for a sliding scale of selling commissions based upon the amount of bonds sold. Of the two methods named the straight division of profits into two classes, is the fairest and most efficient method and best accomplishes the desired results, that is, the ready sale of the bonds with a just distribution of the profits to all concerned. An even greater inequality usually exists in the division between the wholesale house and the selling syndicate as a whole. However, as the wholesale house always controls the financing, and invites the members into the selling syndicate, it is in position to dictate the terms. Any house that does not care to accept an invitation on the predetermined basis, may stay out, but at the risk of not being invited a second time. The success of a wholesale house is based upon its prestige, its past record, its large capital, and particularly upon its community of interest with large banking institutions which lend the financial assistance necessary to carry a large operation from the time the bonds are bought and paid for until they are split up into blocks among various syndicate members or else distributed to the final purchasers.

Big business requires big financial machinery, and the wholesale houses are in position to furnish it on account of their experience, prestige and available resources. Though this system has many disadvantages and is more or less monopolistic, that it is the only practicable one is evidenced by the fact that nothing else has ever been developed to take its place. While large operations might occasionally be financed by popular subscription during propitious times, the public purse could not regularly be depended upon for direct support and the assistance of strong agencies is required. A borrower can not ignore the money lender during periods of easy money and then demand help when conditions are stringent. The fat and the lean must go together.

Next to wholesale houses in both capital and influence are the so called distributing houses, which vary in size and importance from those handling only one million or two million dollars a month to those that distribute annually several hundred million dollars of bonds. They participate in underwriting syndicates organized by the wholesalers, and frequently two or more will purchase from the wholesaler entire blocks of bonds and resyndicate them. They also originate their own issues, consisting usually of municipal, railroad divisional or equipment and public utility bonds. Although frequently up in the millions these issues are generally smaller in amount than the large government or railroad loans financed by the more important of the wholesale firms. Distributing houses do a wholesale and a retail business simultaneously. Practically all of them employ bond salesmen; some of them in connection with their main offices only, in which case they generally work through correspondents in other cities, while others maintain large organizations and operate a number of branch offices. They distribute bonds direct to their customers at list prices and also sell round blocks at special prices to retail dealers. The distinguishing characteristic of the higher class distributing house is that before purchasing an issue of bonds it makes a searching examination of the property and of the credit of the borrower, and in doing so employs legal, engineering and accounting experts. The distributing house comes in contact in a broad way, with the general public and is supposed to feel a strong moral obligation toward its customers, and to be ever watchful of their interests, whereas the wholesale house is a sort of middleman between the borrower and the distributing or retail houses, and assumes practically no responsibility as to the safety of the securities it underwrites. The distributing house is the real connecting link between the bond issuer and the bond buyer and this book is written with the idea of being particularly applicable to the relation so existing.

The retailers belong to the large and very important class of firms that possess moderate capital and do not essay the role of originating houses. Probably a large proportion of these firms is composed of men who in their earlier days were salesmen for older houses. Retail houses participate in underwritings, purchase round blocks of bonds outright from distributing houses on a dealer's basis, and also buy and sell bonds on the open market. As in the case of the other types of houses, they may or may not be members of a stock exchange, or the stock end may be the principal business and the bond department only a side issue. Each retail house of course has its own circle of customers and its own sphere of influence.

There are a great many stock exchange firms that buy and sell listed securities on a commission basis only. Such houses do not keep bonds on hand for sale but merely execute orders and therefore are not concerned in this discussion.

Street brokers are men who trade between houses and principally in unlisted securities. They claim to work on a straight commission, do not generally carry bonds on hand and are not supposed to have any direct dealings with institutions or private investors. Their function is to know all of the different markets, and where odd blocks of bonds may be bought or sold to the best advantage. Their reason for existence is that they perform a service for which other houses prefer to pay a commission rather than take the time and trouble to do the work themselves.

The different kinds of houses blend into each other, their types change with changes in conditions and a house may belong to one class in one piece of financing and to another class at another time so it is impossible to earmark every bond firm in the business and say that it belongs to this class or to that class. In a general way, however, the remarks made in the preceding paragraphs portray the principal distinguishing characteristics of the various bond underwriting and bond selling firms as they exist at present, and as they will no doubt continue to exist for many years to come unless there is a radical and unexpected change in fundamental conditions.

Before leaving the subject it may not be amiss to say a word about the firms that attempt to do a stock exchange business and a bond selling business at the same time. Except in rare cases this combination does not work out advantageously and one or both branches of the business suffer. If the members of the firm are primarily interested in the stock end they devote their energies to that while the stock market is active, and neglect the bond end. When the stock market is dead, they switch their attention to their dormant bond department and expect it to spring into sudden activity and to produce the earnings that were previously made by the stock department. The bond business, however, can not be successfully developed that way. It is the product of long study, and careful attention. It cannot be neglected and allowed to go to seed, and then suddenly forced and cultivated, and made to produce a profitable crop. The stock broker is usually a man of impulse and action. He wants results and wants them quickly. He lives fast and works fast while he works, but has not the patience and the studious disposition that are necessary to develop a successful bond business. The bond dealer to be successful must be an organizer and an untiring worker. He must be satisfied with a more gradual growth and with smaller profits but he must keep hammering away without cessation, making each stroke tell in the permanence of his work. Where a firm desires to do both a stock exchange and a bond distributing business the best results are obtained by having two distinct executive organizations, each composed of specialists in its line. The employees in the bond end must be kept entirely out of the atmosphere of the board room and they must throw their influence against any strong speculative tendencies upon the part of their customers. A clientele of bond buyers, to be profitable, must be permanent while the margin account houses seem to be able to make money with clienteles that change periodically every few years.

CHAPTER IV

SALESMANSHIP

Salesmanship is an art, but Bond Salesmanship is a profession, and it has one great advantage over all of the others in that the route is much shorter to success or oblivion. While law, medicine and engineering are numerically more prominent, their average compensations are lower and they require a greater length of time for an individual to determine whether or not he is adapted to any one of them. They necessitate three or four years of study and preparation, not only without any remuneration, but with a considerable monetary outlay and then it may be some years afterward before a satisfactory revenue is produced. Custom, false tradition and "ethics" are a barrier to individual energy and initiative, while for a doctor or a lawyer to advertise would immediately stamp him as being entirely beyond the pale. In bond selling the probation period is much shorter, returns accrue more quickly and the average compensation is considerably higher because aggressive competition and the law of the survival of the fittest promptly weed out the inefficient. At the same time, for those who are fitted for bond selling the opportunities are unlimited and the rewards of success place a high premium upon individuality.

Salesmanship is the most practical course in the school of life and bond salesmanship is a postgraduate subject. It is the highest type of salesmanship, it deals in a superior form of commodity and it brings one in contact with the best class of trade. It is for these reasons that one who aspires to bond selling should be above the average in character and ability.

Nothing develops a man so well as contact with other men and with big things. To be familiar with securities, means to be familiar with country wide and with world wide conditions in general, and with municipalities, corporations and markets in particular. Every issue of bonds is different from every other issue. The stock of goods that a house has for sale and their prices are changing almost every day. As a capable bond man not only has to know his own wares but those of his competitors there is ample opportunity for brain work. A bright young man once applied to the writer for a position, saying that he was a very successful salesman of fountain pens, but that he had reached his limit in that line because he knew all there was to know about a fountain pen. This criticism could hardly be made of the bond business for no one has ever been heard of who knew all about bonds.

To win success, a man must have both ability and opportunity. Except in rare cases one without the other is ineffectual. Opportunity is usually the result of acquaintance. A bond salesman, by the very nature of his profession, meets more people of means and influence than does one in any other line of work. It is no doubt due to this fact that many salesmen of ability do not long remain salesmen for opportunities are constantly thrown open to them and if an existing connection is not satisfactory or sufficiently lucrative, a new association may readily be formed. A really good salesman in this or any other line need never seek a position.

It is not to be assumed from this that all or even a majority of those who undertake the bond business succeed. Unfortunately the glamour and the prevailing air of prosperity attract to this profession many young men who are either unfit for it temperamentally or who are not willing to make the personal sacrifices, to give the close application, or to devote the untiring effort that are essential. Bond selling knows no union hours and he who watches the clock would better seek some other occupation. From his own observation and experience in training men the writer calculates that on an average not more than one in five makes good, and some of the reasons therefor will be found in subsequent chapters.

Special classes of investors require special classes of bonds and special methods of sale. It is not within the province of this discussion to go into technical details or trade customs. Our concern here is with the personal side of bond selling and with the subject in its entirety rather than its ramifications. These remarks are therefore particularly applicable to the ordinary buyer, the man who is a free agent in his investment operations and is not restricted by laws or limitations in the exercise of his judgment. We are interested in his mental processes, in the methods that must be employed to sell him, and in the type and training of the salesman who can do it.

It is safe to say that no two investors ever think just alike. "Many men, many minds" is as true here as anywhere else. It is seldom that any bond offered is quite what the customer thinks he wants. If it is satisfactory in certain particulars, it is probably unsatisfactory in others. If every security was exactly what a buyer thought he wanted, there would be no need for salesmen. Consequently the art lies in diagnosing a person's real needs and then selling him the issue one has that comes the nearest to meeting them. The salesman who yields absolutely to a customer's idiosyncrasies, regardless of his own judgment, is not a salesman but an ordertaker and there is no profit in ordertaking. The real salesman, by argument and suggestion, directs his customer's mental processes. A buyer frequently thinks he requires a particular kind of security when actually something entirely different is better for him. A desire must exist or be created before a sale results. The real profit in bond selling lies in making a customer want that which the salesman thinks he should have. This is not so difficult as it may appear for certainly ninety-five per cent of the investors buy on confidence with little knowledge of what they are buying, or of investment principles in general. When both the house and the salesmen inspire confidence, everything else is of minor importance.

Very few bonds are sold on analytical explanations or comparisons. The average man wants to place upon some one else the responsibility of making up his mind for him. As one salesman expressed it, he had to do his customers' thinking for them. It is really unfortunate that so few people are willing to make a study of their investing. If they would do so, many a dollar that is now thrown away could be saved, the conscientious efforts of the higher class bond houses would be more highly appreciated and these houses would be relieved of a responsibility which they would much prefer to see placed where it belongs.

It is impossible to make a salesman. He must be born to it, and all the so called schools, character studies, correspondence courses, and different methods of training are futile if the necessary ability is not inherent. Whether it be called personality, knack, personal magnetism, or what not, it resolves itself primarily into two things (1) ability to inspire confidence (2) ability to work incessantly. These qualities may lie dormant or may be concealed. Study and training may bring them to the surface, or may add polish and finish after they are brought out, but unless they are born in a man, his chances of great success are very small. Compared to these two qualities,—technical knowledge and training, studiousness, acquaintance, personal appearance, adaptability and all the other virtues are of very minor importance.

In his early days as a sales manager the writer used to think that he was a pretty good judge of character, but after talking to men by the hundreds, employing them by the score, and watching their work year by year, he discovered that those who made the best first impression frequently petered out while those who appeared to be in the doubtful class frequently made the greatest successes. He therefore came to the conclusion that there was only one sure way to read character, and that was by the law of averages. Hence, for some years, in taking on new men for the sales organization, he has been going on the theory that only those should be passed by who unquestionably had negative personalities or were clearly unsuited for the work; that little attention should be paid to stature or physiognomy; that if a man possessed a fair education, looked sound, had a clean record and character, and had to work for a living he should be given a trial and that out of every so many men so chosen a certain percentage would make good. In other words, after eliminating those clearly unsuitable, it resolves itself simply into a trying out process and the survival of the fittest. This may appear very impersonal and very mechanical, but it nevertheless is a mathematically correct method, is businesslike, is reducible to a scientific basis, and though more evident is not different from the conditions and methods prevalent and in operation in every business and in every walk and in every phase of life.

CHAPTER V

MATERIAL FOR SALESMEN

In building up a sales organization the material available narrows down to three general classes; viz., (1) men with previous bond experience (2) young college men (3) men from other lines of business. The writer proposes in this chapter to attempt the comparison of these classes and an exposition of the advantages and disadvantages of each.

Good salesmen with previous bond experience are always in demand, as is evidenced by the numerous advertisements in the daily newspapers and in the various financial periodicals. This demand is due to the fact that the great majority of bond houses (1) can ordinarily buy more bonds than they know how to sell; (2) have the courage to employ salesmen only when they can get ones who they feel confident will make money for them; (3) do not themselves know how or have the patience to develop inexperienced men, and (4) expand and contract their sales forces with the changes in business conditions, so that instead of carrying trained organizations through dull periods, they are forced to recruit them suddenly whenever business is prosperous. Competent salesmen all make good livelihoods and are usually paid pretty nearly what they are worth. Consequently they do not as a rule look around for other openings unless dissatisfied with working conditions where they are employed. This latter condition is rare so that it is seldom that a really good bond salesman seeks a new connection. More often the position seeks the man.

It therefore follows that when a so-called experienced man applies unsolicited for a position, it is more than likely that he is a discard or a floater. In the previous chapter it was mentioned that in the trying out process about one man out of five develops into a real success. This means that four out of the five are disappointed and seek new places. Strange to say, to most of them there is a fascination about the business so that they stay in it instead of trying something else of a different character. After a man has changed positions a few times he usually becomes a floater, staying with one house so long as his welcome lasts, and then seeking another. For the reasons previously given, the demand for experienced men is such that if one has a fair knowledge of bond technique and can put up a good front, with a few confidential remarks about his personal customers, he can usually land a job even though his tenure of office may be brief. The writer knows of one so-called salesman who has been floating from one house to another for the past fifteen years. This man has certainly averaged less than one year to each place, and yet he comes up smiling with a new one whenever the occasion requires. Apparently in the employment of experienced bond men, much is taken on faith, and references do not seem to be essential.

While in hiring ready-trained men who apply for positions, a "live one" may some times be acquired and added to the force of producers, this possibility is rare indeed, and the odds are heavily against the employer. Less risk is assumed in stealing or (to be more polite) in buying a man away from a competitor but this too has certain dangers. In the first place every salesman is presumed to know what he is worth; unless he is more modest than usual, he is presumed to be getting it; and his employer is presumed to be paying it to him. If he is entering the discard class, and a competing house makes him an offer, that house stands a pretty good chance of having a failure wished upon it. On the other hand, if he is a success, regardless of degree, and a competitor steals him, it runs the great risk of having paid too high a premium to get him away, and when a man costs too much, he is just as much a financial loss as the man who costs proportionately less and is a failure. The house that employs a man is in a great deal better position to know what he is worth, and to pay it to him, than a competing house that must base its opinion entirely on outside indications.

Of course there is always the possibility that a salesman is not in congenial surroundings or is not developing his greatest efficiency under given conditions, and that if transplanted, he will reach a much higher development. This, however, is largely a matter of guess work and it is extremely dangerous to offer a man a higher salary than he is getting on the assumption that under new conditions he will be able to produce more than enough to offset the increase in compensation. It is more likely that he will lose efficiency and producing power by being transplanted, for a salesman seldom has the same loyal regard and enthusiasm for his second employer that he had for the one that taught him the business and helped him over the rough places in the beginning. This does not hold good when a man advances from a conspicuously inferior house to one of much higher credit and standing, but even in this case it is inevitable that he should unconsciously or instinctively compare methods and conditions existing in the new association with those in the previous one. Enthusiasm is the greatest factor in commanding confidence, and in inspiring one to hard effort. It is ruined by the continual drawing of comparisons, by mental reservations and by distracted attention. Unless one's whole mind, thought and action are focused in one direction there can be no real enthusiasm. An organization to be successful must have the wholesouled support and undivided cooperation of its component units and its directing head must be engaged in constructive work and not diverted to eradicating antagonistic or contrary ideas, principles and methods previously gained by experienced men in prior positions.

The writer realizes that if a properly trained, well balanced and successful salesman of experience and judgment can be secured at his actual value as a producer, he is cheap at the price, and worth to any house a great deal more than a number of inferior or inexperienced men all taken together. There has never been the slightest room for argument or doubt on this point. However, the chances of securing enough men of this type are so slim, the risk of losing a lot of money in trying to get them so great, and the certainty of loading up with inferior men so sure that the writer has never been favorable to this method of recruiting an organization. Last, but not least, there is the question of ethics in the matter of taking men from competitors. Some houses are very punctilious and make a practice of applying the Golden Rule to this particular feature of their business.

As a class young college men in business are a particularly difficult problem, due first to lack of home training and second to a type of education that aims at the broader phases of life but neglects the essentials. Parents are too lenient in bringing up their children. Discipline, prompt obedience, accuracy, thoroughness and the homely virtues are the foundation of character. If these are neglected in the earlier years, inefficiency is bound to be the result and college education and technical training are unable to counteract it. Success or failure can largely be traced back to the kind of training a man had before reaching the age of twenty-one. This situation is aggravated by the fact that only a small proportion of young men attend college with a serious purpose in mind. For the first time in their lives they are entirely free from restraint, the opportunity to waste time is ever present and the stern realities of life are obscured by the distortion of relative values. Fraternity and dormitory life, athletics and social activities assume undue importance. The curriculum is directed almost entirely toward mental expansion, and but little, if any, toward character building. At the risk of being accused of heresy, the writer ventures the opinion that to the majority of men who attend college the benefits are negative; in other words, a college education spoils many a good clerk. A man of character, initiative and indomitable energy will rise to the top regardless of his degree of scholastic education. When such a man goes to college and gets out of it all it holds in store for him, the benefit of such an education is inestimable. It opens up to him greater possibilities than he could otherwise attain even though possessed of great natural ability. On the other hand, if he slides through college with no particular ambition and no set purpose in mind, the influences of his environment and the lassitude of his mental habits are not calculated to strengthen his character. Unquestionably the greatest function of a college course is to give one breadth of thought. Therefore if one is not made to think, his mental processes do not undergo the expansion that is intended for them. Far better that a youth should get four years' practical application behind a counter than allow his brain to gather moss for such a period.

A man must be able to do the little things of life and do them right before he is capable of doing the big things, and a minor task correctly performed is indicative of ability to do a larger work properly. Some years ago a writer employed as sales material a University man of considerable prominence in the various collegiate activities. One day, during his probation period in the office, a window shade fell down and this man was asked to fix it. He had to admit that he did not know how! What are we to expect of our University graduates when they are incapable of performing such trivial tasks?

The greatest criticism then of the average college man is that he hasn't been trained either by his parents or his Alma Mater to do the little things right before feeling that he is capable of assuming greater responsibilities. In this respect he is not much farther along than the grammar or high school boy who has not had all the advantages and of whom so much is not expected in the beginning. Undoubtedly this deficiency or lack of discipline will be partly overcome if the system of universal military training is adopted in this country and incorporated in our college curricula.

The second great criticism of the young college graduate is his exaggerated idea of his social and economic position, and of the revenue producing value of his education and ability. While in college he gathers the idea that he belongs to a higher plane than the ordinary mortals around him, that he is destined by the nature of things to be a leader and that of his own right he must be looked up to. Therefore when he accepts his first position and finds himself located at the mailing desk at five or ten dollars per week the business machine seems to have slipped a cog somewhere. When the days run into weeks and the weeks into months and promotion and pecuniary emoluments come slowly, the discouraged college man reaches the conclusion that he has picked the wrong job and that the other business just across the street is the one he should have chosen, so he gives up his position and starts in over again and the process is repeated. Very often this discontent is due to the fact that the college man has developed his tastes too far beyond his earning power and he is constantly obsessed by the desire for more money. Frequently, too, he discovers that he wants to get married and support a wife even before he can support himself.

After a college man has yielded to this siren call and wandered through two or three positions in search of greater opportunities he suddenly awakens to the realization that he too must not only begin at the bottom, but must stick to one thing and climb slowly and surely the same as anyone else. By experiencing a few hard knocks he discovers that there is no short cut to success and that hard work is the quickest route to recognition and advancement. Only when he buckles down to serious effort and realizes that after all it depends upon him and him alone, does he begin to appreciate the opportunities in his own line of work and see the folly of jumping from one position to another.

When a college man of character and ability reaches this stage, when he "gets down to earth" he is ripe to be taken in hand and developed to the highest degree. It therefore follows that in employing college men, all other things being equal, the best results are obtained by taking those who have been graduated for three or four years or more and have just arrived at the point described.

This detailed portrayal of the faults and weaknesses of the college man cannot obscure his one commanding advantage over the other two types described in this chapter, namely, his enthusiasm. It is obvious that a young man just entering business life may be enthused much more easily and may communicate that enthusiasm to others more readily than an older man of more varied experience who has tasted of some of the disappointments of life, and has become more or less skeptical of its opportunities. The greatest productive asset of a young man is his initial enthusiasm. It is worth more in dollars and cents than experience, acquaintance, influence or anything else. Therefore when a college man has made the most of his educational advantages, has reached the hard work stage and still possesses his youthful enthusiasm, he presents a combination of business advantages that offset his lack of judgment and experience and make him particularly available for training as a bond salesman.

Our third group of available material includes men of more mature years—say thirty and over—inexperienced in the bond business; men who, with few exceptions, are self made, who have had limited educational advantages, and who had to start to work early in life. This type of man presents our greatest problem in the selection of individuals. With the experienced men it is merely a question of past record and present performance with the risk of loss limited and the employment terminable on short notice. In the case of the college man the cash outlay is small and the possibilities good for securing a fair percentage of successes. With our third class of men results depend upon a fortunate selection of individual units, involving a certain amount of character reading, a larger amount of luck, and at last analysis the working out of the law of averages. As a rule those who have not made satisfactory connections before they are thirty are below the average in ability. There are, of course, many cases in which this does not hold good, but the proportion is strongly as stated. This condition is even more pronounced when the age of forty is reached. It therefore follows, with rare exceptions, that any man of forty or more who is willing to enter a new line of work at the price of raw material, has not sufficient ability to qualify him for the bond business.

Men of middle age have lost their enthusiasm as a rule, and are hard to "warm up," they are difficult to direct, frequently tell us how the business ought to be run, find fault with existing methods after they have been doing outside work for only a brief space of time and are easily discouraged. Also to an employer who is at all sympathetic the matter of dismissal is always more embarrassing in the case of such employees and is usually delayed much longer than it should be even though sentiment is supposed to play no part in business.

In going over the roll of men whom he has trained, the writer is frank to admit that the greatest individual successes have been developed from this third type of material, namely men of more mature years with previous experience in other lines of business. As a corollary, he has also lost the most money in trying out men of this type. However, the progress of a business is determined by the results obtained not by the exceptions but by the organization as a whole, and it has always been his experience that the best average is maintained by men recruited from the second group.

While always on the lookout for a "find" and while one can sometimes be secured through a special combination of circumstances, the sales manager who spends his time hunting for such articles instead of developing his own men is not going to expand his organization very rapidly. Each applicant for a position must be considered very carefully and those selected must be coached properly, but the final result will be determined by the law of averages. With such variations as have been mentioned experience seems to prove that the percentage of successes is about as great with one group of men as with another, and if carefully chosen it may be assumed that one man out of five will make good. Let us therefore figure how this works out in dollars and cents. If five older men be taken on at $150 per month each, or a total of $750 per month, and one succeeds, it costs $750 a month to produce him. If five college men be taken on at $10 per week each or a total of $216.66 per month and one succeeds it costs $216.66 a month to produce him. Against five older men at $750 per month, seventeen college men can be employed at the same expense and they will produce more than three times as many successes.

This same method of comparison may be employed in the case of men with different relative salaries, but each must be classed with others drawing the same amount of money. In other words, a man getting $100 per month must be compared with others receiving the same for it must be figured that if a man is paid $100 per month, and develops into a success it has cost $500 a month to produce him, and a success at $200 a month has cost $1,000 a month to produce. The successful man has to bear his share of the cost of the unsuccessful ones the same as the consumer who pays his grocery bills has to pay for the food of the consumer who does not and the same as the tax payer has to carry the burden of the economically dependent.

This is a feature of the employing of men of which the sales manager seldom thinks, or if he does consider it, rarely reduces it to a mathematical basis. If he belongs to the school that tries to hire successful men already trained and proposes for instance to pay an applicant $300 per month, does he realize that either the salesman is not worth $300, or else he has cost some other house a good deal more than the amount named and must be a bargain at the price? A sales manager who is a good judge of bargains may be able to gather together a satisfactory organization if enough bargains are offered, but the man who makes a profession of bargain hunting usually pays high in the long run.

Assuming then that we accept the training of green men as the most successful method of developing a sales organization, the logical thing is to keep down the cost of the raw material regardless of the source from which recruited. Obviously it is not good business to spend any more money than necessary on experiments. Therefore the recruit should assume his part of the risk until he can demonstrate whether or not he is going to be a success but after he has made good his employer should compensate him for his sacrifice in the beginning. Until a salesman makes good, he is a liability and not an asset, and of course business prudence demands that one should limit his liabilities as much as possible, but when a man moves over from the liability column to the asset column his position as an asset should not be undervalued, else he is warranted in eliminating himself from the balance sheet altogether.

At last analysis a house is not only justified, but is only exercising ordinary business sense in buying its raw material at as low figures as possible. In doing so it does not attempt to pay a man what he is worth for it has no way of determining what is a given man's worth, but is merely advancing a nominal stipend until the man himself can demonstrate his value and claim the rewards to which he is then entitled. A willingness to make a temporary monetary sacrifice is evidence of a man's judgment, seriousness of purpose, determination and self confidence. If he is not willing to do this, the chances are he is not the most desirable material available.

CHAPTER VI

EMPLOYING MEN

Aside from the initial formation of its sales organization, every progressive house finds it necessary to constantly add new men to take the places of the occasional ones who leave after reaching productive positions, and of the many who are tried and found wanting. While now and then recruits may be obtained from those who call of their own accord or who apply through the personal recommendation of mutual friends or acquaintances, or through other employees, the number of suitable applicants who can be so secured is comparatively small and the building up and maintaining of a large force in this manner is a slow, tedious and difficult process. A large organization therefore usually finds it necessary to make use of collective employment. For this purpose two methods are ordinarily available in securing raw material (1), advertising in the daily papers (2) getting in touch with the graduating classes of the different colleges.

Notices in the financial pages of the newspapers have not been found so productive as advertisements in the columns headed "Help Wanted—Male," for the simple reason that the number of experienced men open for engagement is far exceeded by the number of green men seeking positions and the latter read the classified advertising rather than the financial pages. After several years of experimenting, through which he learned much about the psychology of "want ads," the writer worked out the following standard form of copy, which is quoted to illustrate some of the points in mind.

> "PROMINENT BANKING HOUSE will make positions for three or four young men to become bond salesmen. Must be graduates of regular day courses of recognized colleges or universities. Real opportunity for men of initiative and ability who are willing to learn the business and make it their lifework. State age, when and where graduated, business experience, immediate salary required and any other items of interest."

"College graduates" is specified, not because a college education is necessary to a man to win success in the bond business, but simply as a labor saving device to eliminate the innumerable applications that would otherwise be received from the host of young men of unsuitable heredity, environment or education who are always on the lookout to change from one wage earning job to another in the hope of adding a few dollars more to the weekly pay envelope. While it is true that this qualification discourages some very good material from applying, it is a necessary limitation in order to save the advertiser from being swamped by a flood of letters. As it is, many of the more progressive or more ambitious disregard the specification and apply anyway, and the best of these the advertiser may follow up if he so desires.

The expression "graduates of regular day courses" is used. Practically all of the universities in the larger cities maintain evening courses, and the men who attend these usually consider that they are college men. Experience shows that only a small proportion of them are available for bond salesmen and so this specification also is a labor saving device.

"Immediate salary required" reveals of itself a whole lesson in human nature. Several times the writer used the expression "Initial compensation $10 per week" only to discover that the replies were confined mostly to youngsters entirely unsuitable for the purpose in mind. The words "immediate salary required," however, usually bring in a host of applications from men who want anywhere from $5 a week to $5,000 a year. Many purposely set high figures for their own protection until they can learn the nature of the position and of these not a few are willing to start at very nominal figures after the details and opportunities are explained to them. Thus a much wider variety of material is offered the advertiser from which to make his selection.

In getting in touch with the graduating classes of the different colleges, whether it be done by letter, by personal visit, through the faculty or through college employment bureaus, the methods are elementary and need not be enlarged upon here.

Interviewing candidates is the most irksome task that falls to the lot of a sales manager. In the first place he knows that the chances are ten to one that the applicant will not prove available, and yet no matter how busy he is, he can not afford not to talk to the man who wants a job for there is always the chance of getting "a find". When he has to talk to them wholesale (and the writer has interviewed as many as a hundred in one week) the work is exhausting to say the least. Again the average applicant is nervous and not at his best. The sales manager must put him at his ease, preferably by finding out the particular thing that interests him the most and encouraging him to enlarge upon it and forget himself if possible. Many men who make the best "front" when applying for a position fall down completely later on, while some who appear backward in the beginning, develop into the best salesman. While an ability to make a good first impression is always an asset, it is much more important to wear well, and a nice appearance and a glib tongue do not encourage the same confidence as time goes on that is inspired by ability, thoroughness and sincerity even though the latter are housed in a less imposing exterior.

The green man has a very vague idea of the placing of securities, and the details of salesmanship. Much time is therefore taken up in giving him an intelligible explanation of the nature of the position for which he is applying and of the opportunities which it offers. Likewise to size up the qualifications of the applicant, requires much patient and skillful questioning upon the part of the sales manager. When this is multiplied by the number that must be interviewed in any given period, the waste of time and of nervous energy is entirely out of proportion to the amount of material found available. Sometimes out of as many as twenty-five applicants the sales manager will select only one as justifying in his judgment the time and expense required in training.

To reduce the interviewing of candidates to a system, as much as possible and to save his own time and strength, the writer worked out a form of application blank, which is here reproduced to facilitate the explanation of some of the important points involved.

The fourth page of the blank gives a general statement of bond salesmanship, summarizing briefly some of the information given in previous chapters of this book. This explanation is the foundation for that which may be told the applicant subsequently during his interview. It also helps to eliminate curiosity seekers and floaters looking for a soft berth, and saves the sales manager some unnecessary sessions with them.

The words "Salary required" appear on the first page. This is to classify the applicant according to his own idea of his value, and also to indicate the maximum that will have to be paid him. Next his family history, connections and standing are important as bearing upon the desirability of his associations. Then his educational qualifications are given. If he is a college man, his record must be given on page two and if he has not accomplished something in at least one field of undergraduate activity, it does not speak well for his ambition or ability.

Nothing promises success for a man in the future so much as having worked his way through college. If in addition to this, he has accomplished something in the way of scholarship, athletics, literary work, dramatics or the hundred and one things a man in college can do, his record is all the better. Health is not the least valuable asset of a salesman. If a man does not possess vitality and endurance he cannot give out any personal magnetism or maintain the degree of enthusiasm that is necessary to a successful prosecution of his work. Likewise his powers are impaired by inveterate drinking or smoking, and modern business efficiency will not countenance the salesman whose approach is heralded by the odor of stale tobacco or alcohol.

If an applicant has had previous business experience a complete record of all previous positions is essential. This record must be examined into very carefully, and checked accurately backwards and forwards by personal questioning to make sure that the candidate has not purposely omitted some chapter in his business life that he does not want looked into. The number of positions a man has held, and the duration of each afford the best possible line on his ability, seriousness of purpose, Application for Position as Bond Salesman With

Frederick Peirce & Co.

BONDS FOR INVESTMENT
1421 CHESTNUT STREET
PHILADELPHIA

Full name

Salary required

Present address

Permanent address

$ ...... per week; $ ...... per month

Present Telephone No.

Date of birth ......; Present age ......; Place of birth

Married ......; Number of children ......; Are parents living ......; Where

Give details of present or previous occupation of father

Occupations of uncles or aunts if living and employed (1) ...... (2)

(3) ...... (4) ...... (5) ...... (6)

Occupations of brothers or sisters if living and employed (1) ...... (2)

(3) ...... (4) ...... (5) ...... (6)

Are you employed at present ......; Where ......; Nature of work

Present salary, or previous if not now employed $ ...... per ......; If employed, state reasons for desiring to change

Last school or college attended ......; Graduate ......; Class of

If you did not graduate, state when you left and why

What was your scholastic standing

For an explanation of Bond Salesmanship see page 4.

Give details of any "flunks"

Give details of outside collegiate activities

Did you make any efforts towards self support during any scholastic year, what were they and what revenue did they produce

What summer work did you do prior to going to college

What summer work between Freshman and Sophomore years ......; Amount earned $

What summer work between Sophomore and Junior years ......; Amount earned $

What summer work between Junior and Senior years ......; Amount earned $

State height and weight

Give health record. Have you ever been injured or have you any chronic trouble

What are your habits with regard to drinking and smoking

Give complete account of all positions held since leaving school or college

	Name of Concern	Date Employed	Date Left	Salary	Reason for Leaving
1				$ ...... per	
2				$ ...... per	
3				$ ...... per	
4				$ ...... per	
5				$ ...... per	
6				$ ...... per	
7				$ ...... per	

Clubs or secret societies

Religious affiliations, or if none, give those of parents

Give details of any other connections, affiliations or occupations

If you have had any selling experience give details and record

Give details of relationship or acquaintance with any one in the Bond Business

Is anyone dependent upon you for support ......; Have you an independent source of income

Do you object to traveling or being away a week or two at a time

What is your hobby

What is your ambition

Give names and addresses of twelve people who may be written to for references as to your character, ab
habits.

	Name	Address	Business	What R
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				

REMARKS

Give any other information that you think might be of interest.
If you have filled in this blank by typewriter, give here your signature and a sample of your handwriting.

This data will be kept strictly confidential. No inquiry will be made of your present employers
references written to without your permission. While not essential, a copy of your photograph wi
assistance in identifying you with this application. Do not call or telephone until you hear from us further. T
information is requested in order to form a preliminary judgment and is not necessarily final.

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			$ per	
			$ per	
			$ per	
			$ per	
			$ per	
			$ per	

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	Name	Address	Business	What Relation
1				
2				
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11				
12				

REMARKS

Give any other information that you think might be of interest.
If you have filled in this blank by typewriter, give here your signature and a sample of your handwriting.

This data will be kept strictly confidential. No inquiry will be made of your present employers or your references written to without your permission. While not essential, a copy of your photograph will be of assistance in identifying you with this application. Do not call or telephone until you hear from us further. The above information is requested in order to form a preliminary judgment and is not necessarily final.

Application for Position

Bond Salesmanship

The economic progress of any nation is dependent upon the efficiency with which its capital is employed. The development of the resources of a country is accomplished to a large extent through borrowed capital. Large agencies of production and distribution, such as industrial corporations, railroads, etc., usually have been built with capital partly supplied directly by the owners or stockholders and partly borrowed from those who have been willing to loan it at a specified charge for its use. This charge is called interest, and loans to corporations are generally evidenced by obligations called bonds. Corporations issuing bonds may be public, such as states, counties or cities; or private, such as railways, gas companies, manufacturing companies, etc.

The Bond House (or Investment Banker) is the intermediary between the borrower and the lender. It is the agency through which unemployed capital becomes a productive force. By finding profitable investments for those who have idle funds it contributes directly to the creation of wealth. The responsibilities of the Bond House are necessarily great. It is under obligation to invest the funds of its clients not only profitably but safely, and this is by no means an easy task. Therefore, before buying an issue of bonds with a view of selling them to its customers, it will institute the most searching inquiry as to all the resources of the corporation in order to determine whether or not the loan represented by the bonds is adequately secured. Thus, after making such careful investigations by lawyers, engineers, accountants and other experts, it purchases wholesale for its own account entire issues of securities; then through advertisement, correspondence, circulars and salesmen it retails them to institutions, trustees and private investors. The Bond House thus performs a double service—loaning capital to those who need it and supplying safe investments to those who have money to invest. The methods of distribution are very similar to those of any commercial house which buys goods wholesale and retails them through salesmen and the other usual channels.

Salesmanship is a profession and as such offers as great opportunities as Law, Medicine, Engineering, etc. Moreover, it has the added advantages of producing results much more quickly and of being unhandicapped by custom or false tradition. Individuality is given full scope and a man's worth is based upon results obtained. Consequently, real ability can forge to the front regardless of priority of employment or seniority of position. The path of progress is not blocked by a man ahead, as is frequently the case with an "inside" occupation. As salesmanship produces tangible results in dollars and cents, it is much easier to appraise the value of a salesman than of an inside man, and for a salesman to know his own value to a firm. Having a profession and a known reputation, it is comparatively easy to make a new connection if the existing one is not satisfactory, whereas in the case of inside positions or of other professions, it is difficult to fix upon a basis for change of occupation or employment.

Bond Salesmanship is undoubtedly the highest form of salesmanship, for it deals with a superior type of commodity and with the best class of trade. It familiarises one with country wide and world wide conditions and with numerous localities and industries and affords a financial training that cannot be obtained in any other way. Unlike other kinds of salesmanship, the commodity is ever changing, and no two are identical in form. It is impossible for any one person to know all there is to know about the business, and there is thus unlimited opportunity for study and the acquiring of knowledge. This is one of the most desirable features of Bond Salesmanship, for it affords the chance for constant self-improvement and constant self-advancement.

Not every man is fitted to become a salesman. Unceasing effort, judgment, mental ability, initiative and a certain amount of personal magnetism are required, but in this, as in every other occupation, mediocrity has no place and hard work is the keynote to success. While the proportion of men who develop into really good salesmen is necessarily low, it is doubtful if the percentage of failures is greater than in other productive lines, and the rewards of success are sufficient to warrant the risk for one who does not have a really remunerative position at his command.

Frederick Peirce & Co. are able from time to time to offer opportunities to men who desire to take up this line of work and their policy is to select those who apparently possess the requisite qualifications and are not too far advanced in years to permit the necessary training and study to ensure the proper foundation for their life work. The initial compensation is necessarily nominal and must remain so until the candidate reaches a point when he begins to produce. The other professions require from three to four years of study, not only without remuneration, but with actual monetary outlay, and then when the course is finished there always intervenes a period of small earnings, which usually cannot be overcome by individual energy and initiative on account of the nature of the occupation. The profession of Bond Salesmanship, on the other hand, affords a moderate compensation during the study and probation period and when the subject has been mastered, produces a satisfactory revenue shortly thereafter. This revenue is capable of indefinite expansion, and much more rapidly than in the other professions, depending upon the ability and industry of the individual. The mistake most frequently made by young men taking up this line of work is that they are too impatient to get quick results, not realizing that any profession that is worth while requires adequate study and preparation. However, for those who intend to make it their life work, who possess the necessary qualifications, and who display the necessary patience and energy, Bond Salesmanship offers opportunities not excelled in any other profession, and the revenue ultimately obtained more than compensates for the time and preparation required.

F. P.

FREDERICK PEIRCE & CO.

September 1, 1915

and steadfastness. A varied business career condensed into a brief space of time is not a strong argument in favor of one's fitness to undertake a line of work that requires application and determination. On the third page the question of an independent source of income is important for if a man does not have to work for a living he usually lacks the incentive that is necessary to accomplish a difficult sale. The questions "What is your hobby" and "What is your ambition" usually develop some interesting sidelights of a man's character, and frequently divulge the real purpose of the applicant in seeking a position. The writer remembers the case of a young man whose ambition was "To own a chicken farm", which statement developed the fact that he desired to hold a position only long enough to earn some money to enable him to go into the business of raising poultry. As we were not spending our time training men for the fun of it, this young fellow of course did not get the job.

Each question on the blank is the result of experience gained in talking to many men, and has an underlying purpose, even though the latter may not be apparent and the questions may appear irrelevant. Every once in a while some sophisticated applicant makes the remark

"You don't expect me to answer all of these questions do you?" or "If I were the kind of a man who was willing to give you all of that information, I wouldn't be the kind of a man you would want". The answer is that if a man is too proud to give the information that is required of him to secure a position with opportunity, then he is too proud to do the kind of work that would enable him to reap the advantages accruing from that opportunity.

References are at once a necessity and a delusion. The persons whose names are supplied by a candidate, are usually ones who the candidate feels confident will give him a clean bill of health. Few men will give an unfavorable report of another in writing. Therefore whenever possible it is advisable to check up the references by personal visit. It is also very advisable to make inquiry of persons other than those whose names are supplied by the candidate. This is a simple matter if the applicant comes from a country town. It is not much more difficult if one gets in touch with all of the applicant's previous employers, and learns from them of his record and history. A single unfavorable or qualified statement is a danger signal and should be run down until the entire truth, either favorable or unfavorable, is learned.

Too many references cannot be written to. The writer recalls the case of a man who made a remarkable first impression, and yet there was something puzzling about him. Consequently twenty-five people were communicated with. Twenty-four of these wrote excellent letters. The twenty-fifth said "Send a man down to see me and I'll answer your questions". From the information that resulted, it appeared that the house narrowly escaped employing a man who would have been far from a credit to it. In another case, a candidate had been in the navy and gave as references an imposing array of Rear Admirals, Captains and Commanders. Many of the letters came back with the notation that the person written to was dead. When these were shown to the candidate he sadly and ingenuously remarked that they must have died since he left the navy. After this employee was dismissed for misconduct, the conclusion was reached that he knew they were dead in the beginning or he would not have given their names.

No reference is as good as the "sizing up" of a man by an experienced employer. Some applicants have honesty written all over them. In such cases the checking up is merely a matter of form. References are therefore a necessity if one is in doubt, a delusion if not properly interpreted, or merely a formality when a man's character is stamped on his face.

CHAPTER VII

TRAINING MEN

As good food may be ruined in the cooking, so good sales material may be spoiled in the training, or if not absolutely spoiled, it may be wasted by not being developed in the manner and to the extent to which it is capable. The opposite extreme is that it may be overtrained and discouraged. Some years ago the writer used to follow the policy of keeping a man in the office for anywhere from one to three years doing routine work and learning all the details of the business from the bottom up. This practice was abandoned some time ago because it developed numerous disadvantages and was not found to be any more effective than other methods less tedious and calculated to produce quicker results.

Inside work as a temporary expedient must obviously consist of a clerical and statistical nature. By temperament a man who is good on details and systematic, is frequently lacking in sales ability and conversely, one who is bubbling over with energy and enthusiasm finds office work tedious and a drudgery. A temporary clerk of the latter disposition can keep his superiors quite busy remedying his mistakes, and in an active organization where accuracy is a necessity and each day's work must be disposed of before the next day's begins, it is much less of a nerve strain to maintain an adequate and competent clerical force than it is to use the office as a training school for embryo salesmen.

The young fellow who starts in an office after graduating from college usually expects to make his education return abnormal dividends in a brief space of time. The kind of work he is capable of doing does not command a very remunerative compensation and when his salary increases come only once a year or so, and are modest in size, he is quite apt to become restive and long for bigger things. During his scholastic period he has probably acquired some more or less expensive habits without a restraining conception of the value of money. When thrown upon his own resources he finds his wants are greater than the wherewithal to supply them. Possibly too he has by this time found a soul mate and is ambitious to have his own home. This latter contingency is a more frequent handicap than is generally realized, for the impetuous youth often has not the patience to establish even a limited earning power before assuming domestic responsibilities.

Influenced by one or more of these problems, more transitory than vital, and impatient to earn more money, the apprentice is apt to feel that his services are undervalued, that the opportunities were overstated and that he can better himself by making a change. This may be hastened by some competing house painting a glowing picture and holding out inducements, so that the original employer finds that he has spent his time and energy in vain.

An even greater loss is experienced when a house spends two or three years on preparatory training and then finds out that the object of their thought and work, after being started on his outside activities, is entirely unsuited for salesmanship and incapable of producing the returns that are expected of him; or else if he shows signs of sales instinct, has not the patience to develop them but thinks he sees greater opportunities in another territory or with another house and resigns his position just as he is beginning to secure results that will reimburse the employer for the expense involved in his training.

In developing groups of salesmen, the writer has secured just as good if not better results by giving them a very superficial training consuming only from three to six weeks. This is done by prescribed reading, lectures, discussions, the study of files of sales letters, and the analysis of bond circulars. With this smattering of knowledge, the men are started out to work, and they soon learn that experience is the great teacher. No matter how carefully a man is coached in the office, he quickly discovers that the problems he first runs up against are the very ones that were not covered in his preparatory course. Unquestionably a month on the road gives a man more experience than six months in an office. Of course the prestige of the house must not be allowed to be damaged by inexperienced men, so it is advisable to break in new salesmen in the straight canvassing of lists of names, instead of starting them right out to interview bond buying banks, and old customers.

This method of training has two distinct advantages. If a particularly attractive but high priced candidate comes along he can be given a try out at a higher salary than would ordinarily be paid in the knowledge that developments will show very quickly whether or not he possesses the elements of ultimate success.

In the second place, a moderate priced man can be given more time to make good if his entire effort is devoted to productive work. For some years the writer has adhered pretty closely to an automatic stop-loss in the case of new salesmen by dispensing with the services of a medium priced man when his salary and expenses exceeded his sales profits by $500 and with those of a high priced man when his deficit reached $1,000. This rule however is interpreted more liberally in the case of a road man than in that of a city man on account of the expenses of the former accruing the more rapidly. Also it is waived where it is evident that a salesman has real ability and will unquestionably succeed if given time to overcome particularly difficult conditions. By way of illustration, one man in a virgin territory ran behind nearly six hundred dollars the first year but justified the confidence in him by returning profits of $15,000 the second and $30,000 the third year.

After a man makes good on missionary work it is fair to him and profitable to his employer to give him a developed territory as soon as one is vacant. Another recruit can then be started on the missionary work where the previous one left off. Up to a certain point the matter of the relative value of different territories is not to be considered, for an incompetent salesman will be a failure in a rich and developed territory while his more competent confrere will be a success in a sparsely settled and undeveloped field. In the first instance, therefore, it is not a question of the territory but of the man, and the salesman who blames his territory for his poor results would better devote a little time to introspection; but as a salesman in a minor territory develops in ability and earning power, he can be transferred profitably to a major territory where the opportunities for profits are larger both for the house and for the man. This is the most logical and practical way to reward a salesman for good service and to promote him in recognition of results obtained.

It is much easier to point out why one man does not succeed as a salesman than it is to tell why another does. In a previous chapter some of the attributes of success were given. Here it is pertinent to name some of the causes of failure. They are mainly (1) conceit, (2) intemperance, (3) laziness, (4) inefficiency, (5) insincerity, (6) poor judgment, (7) excessive outside diversions, (8) domestic handicaps. One of the two faults first named can usually be blamed when a promising career is blighted after it has begun to bear fruit. To the others can be traced the reasons why other careers never pass even the experimental stage.

More bond men have been spoiled by conceit than by anything else. Salesmanship is a business of comparatively quick results. When a young man attains prominence in the profession and a compensation large for his age and experience, without the years of training and devotion to detail that are required in other lines of business, he is apt to exaggerate his own ability and importance and to forget that a large part of his success is due to the reputation of his house, the quality of the goods it gives him to sell, the manner in which it backs up his efforts and finally to such fortuitous circumstances as may work in his favor through the nature of prevailing conditions. The result is that he places an abnormal valuation upon his services, and sacrifices his opportunities, just as they are about to yield him large returns, by becoming dissatisfied with his position, and making a new affiliation, or else in his over-confidence he rests on his laurels. In either event he loses his momentum, and slips back so far that he fails to recover it. To use a trite expression, it is difficult for a young man to keep his head level when he enjoys too sudden prosperity. The ruinous effects of intemperance are now too generally recognized to require more than the mere statement that the bond business is not immune from them, and within the writer's knowledge more than one bright future has been obliterated by this evil, notwithstanding extreme precautions to avoid the employment of men so addicted.

Of all the numerous causes for either complete or partial failure in the initial stages, none is more prevalent than laziness or lack of application. The difficulty nowadays is to find men who will really work. Short cuts to the royal road to wealth are in great demand. Hard work is at a discount. Of the business virtues, the greatest is ability to work. A brilliant mind is too often housed in a lazy body; much better that a man possess an average mind and realize that application has to make up for him what he lacks in quick wit. Often the plugger gets the greatest results, for he does not sputter and miss fire but keeps at it with dogged determination. Brilliancy, personal charm, analytical ability and fluency of speech are all of secondary importance for there is no question but that in the selling game what a man accomplishes is in direct proportion to the effort he expends.

A salesman who interviews twenty investors a day will make twice as many sales as though he sees only ten in the same time. Systematic and sustained effort takes will power, and it is so much easier to do something more pleasurable that unless a salesman keeps a firm grip on himself he unconsciously "loafs on the job", and when this insidious habit is formed, it is very hard to throw off. Hard work then is the keynote of all the attributes of success.

Inefficiency—absence of ability to do a thing right, incompetency in little things, and shiftlessness in thought and action—is the greatest point of waste in the industrial machine. Of all the text books that have ever been written for this or any other business, not one can touch the "Message to Garcia" by Elbert Hubbard, and no one's education is complete if he has not read this. There are only two ways to do a thing—one the right way, the other the wrong way. How many the men who try to find a compromise between them! Half of an executive's nervous energy is consumed in counteracting and preventing the waste and errors of ordinary incompetency on the part of employees and subordinates. The man who can do a thing right without being told always makes a quick trip to the top of the ladder.

Insincerity is the foe to one's ability to inspire confidence, the greatest asset of a salesman. Poor judgment causes a man to do things that he would not otherwise do, or to omit doing things that he should do and it is the root of the majority of his mistakes. Too many outside diversions encroach upon one's time but more particularly upon his thought, for the brain of the successful salesman cannot stop working when the clock strikes five. And last but not least, a man's progress in business is influenced greatly by the kind of support and inspiration he receives from his family.

The real training of men is only begun in the trying out process. That is merely the first step, for the ultimate success of an organization depends upon how it is handled after it reaches the producing stage, which is the subject of the next chapter.

CHAPTER VIII

PERSONAL SALES MANAGEMENT

The productivity of any sales organization is mercurial in that it increases and decreases according to the ability and force of its head. It is susceptible to active stimulation and as quickly lapses into inertia when the pressure behind it is removed. Salesmen are temperamental and quickly absorb the optimism or the lassitude of their manager. Consequently close attention to the men and direct contact with them is essential at all times. A sales manager, to get large results, must inspire confidence in his subordinates, must be one of them and yet maintain an attitude of dignity, must be friendly and yet not familiar, must have force, originality, personality, driving power, unbounded optimism and a buoyant wholehearted disposition. He must direct, correct and discipline, but avoid being hypercritical, faultfinding or moody. He must be plainspoken and sincere, avoiding subterfuge and evasion. He must be able to warm up to his subject, and enthuse his men so that they in turn will communicate their enthusiasm to their customers. This capacity to develop ardent teamwork, to arouse the men to a high pitch as often as occasion requires, and to keep them pulling steadily in the intervals, is the test of managerial ability and the determining factor in the distributing power of the bond house. In a large organization with multiple offices it is well nigh impossible for the various heads to know all of the salesmen, and this fact frequently causes a feeling to exist upon the part of the employees that they are ignored by the members of the firm, whereas the latter are often embarrassed at not knowing whom they should know and at their helplessness to correct the situation. As the connecting link, the sales manager should know each man individually, should be familiar with the conditions in his territory, should be able to recall his more important transactions and should always be on the alert to drop a happy remark whenever the opportunity presents. He must be able to make each man feel at home with him when alone or, when gathered together in meeting, should be able to address the men forcibly and magnetically, and last but not least he must have a thorough technical knowledge of the bond business, and enough originality to know how to apply it effectively. The reader may remark that very few sales managers come up to these specifications. True, but there are very few live sales organizations, and where the one does not exist, the other cannot be found.

The sales manager must know the difficulties his men encounter, how they handle their customers, their personal troubles, their financial difficulties, their hopes and their aspirations. He must watch their progress without let-up, must know how they are working and how much. Each lead must be followed, every proposed or possible transaction considered and note taken of every call in the field. For this purpose, a report (preferably written on a filing card) of each interview is the most adequate means available. At one time the writer personally went over from four to five hundred of these reports a day, which in itself was no trivial task, until the pressure became so great that it had to be distributed among divisional sales managers.

Each day as intricate trades come up they must be discussed over the long distance telephone so the sales manager has to be at the beck and call of his men, for if the man in the field cannot consult the one in authority when necessity demands, the trade may fall through and the interest of the salesman jeopardized. Whenever an important piece of financing requires immediate attention, the field men must be reached and their modus operandi outlined to them, and those who are quickest to grasp the significance of the operation and to put their plans into effect, secure the cream of the business. A man's earning power as a salesman is determined in no small measure by his ability to seize a sudden opportunity and to make the most of it, for while the steady day to day selling provides his bread and butter, it is usually the whirlwind work on new bond issues that buys his automobiles. As a matter of psychology also, if the customers can be stampeded they can be sold more quickly and with less effort than in any other way. The salesman who leaves his prospect with a promise from the latter that "he will think it over" need never worry about whether he should buy a Packard or a Pierce-Arrow. The real salesman is the one who can close his order at the time.

Team work and esprit de corps are augmented by daily sales letters from the house. These should contain financial news items pertaining to the issues being offered, comparisons with other securities and all possible data pertinent to the business, for salesmen as a rule are not students and their information must be prepared for them and set before them in an appetizing manner. Furthermore, the supply of financial ammunition should be inexhaustible for they will absorb only a certain percentage of it, and the greater the amount furnished them, the greater the amount they will absorb. Also, what will interest one and be of assistance to him will be passed over unappreciated by another. A sales letter is like a newspaper in that different readers utilize or are benefited by different parts of it.

Many sales letters are merely collections of soporific financial verbiage. They abound in dry statistics and in general street gossip clipped from the Wall Street dailies. Such letters are about as enthusing as a coal stove without a fire in it. When a salesman in some upstate town several hundred miles from home, has been up early and late in all kinds of weather and worked hard all week without signing up an order, has slept on a hard bed and eaten unpalatable food, feels generally down in the mouth and has about come to the conclusion that the other business he might have gone into would have been much more productive, at such a time he does not want notes from the home office telling him his faults, or sales letters that read like lessons in college algebra, but he wants encouragement and inspiration. The sales letter to be of any real use, must be personal and sympathetic, it must convey a spirit of confidence and of good cheer and must have an all pervading atmosphere of "now fellows, let's get together". It should illustrate in an interesting manner how the other man just closed a nice sale from what seemed a hopeless prospect, it should make the salesman in the backwoods town realize that he is right in touch with his office and that they are metaphorically slapping him on the back and telling him to "go to it", and it should start him out on his day's work with renewed confidence in himself and the firm determination to wire in a nice order before the day is over.

Perfunctory sales meetings have their limitations. They are of the most value when a new issue is to be offered and it is desired to post the men collectively on it. They accomplish a certain amount of good in coaching the men but as a method of instruction are probably not as efficient as a well written sales letter, simply because things are better understood and remembered when read. Trips over properties are more or less beneficial in the early stages but after a man has made two or three of them their value to him decreases. Their two chief functions are (1) to give the salesmen an opportunity to get better acquainted with each other, and (2) to enable them to say to a customer "Mr. Jones, I have just been over that property and it is a wonder", for strange as it may seem a buyer seems to be more susceptible if a salesman can relate a few personal experiences, and can say in all truthfulness that he has just inspected a certain company and knows that it is there. In other words the personal side lights of the salesman frequently seem to have more effect than the cold material facts of a greater real importance, that are published authoritatively by the house back of the bond issue. Trips, however, are expensive and may cost as much as ½% to 1% of the par value of the bonds to be sold. Furthermore, since the composition of a sales force is changing all the time, it is a question whether the permanent benefit is proportionate to the expense.

As a method of encouraging good fellowship and building up a potent realization of the dynamic force of the organization, as well as being an educational institution, the writer has always been a great believer in business dinners, held not once or twice a year, but every month or six weeks, and attended by all the men working under a given office. These dinners should be informal and free from stiffness, but should not be allowed to degenerate into mere social gatherings. They should be devoted to talks and general discussions in which all can take part. The writer has always made it a practice to hold them in the evening when the men felt relaxed, and he has always endeavored to provide a programme that would hold the interest up to the last minute, and encourage the men to get into the spirit of the occasion. The picture of the business, the seriousness of it, the importance of each man to it and his wonderful opportunities are always kept in the forefront. This purpose has been carried out even to the placecards, a few of which are given here by way of illustration, and to emphasize a point of view in the handling of salesmen.* These little fables or parables, whichever they be called, are for the most part based upon actual occurrences within the writer's observation or upon his experience as a sales manager.

In handling salesmen collectively, whether in writing or orally, the writer has always endeavored to avoid a stilted manner even at the risk of using too many colloquialisms or resort-

*See pages 90 to 94 inclusive.

ing too much to slang, realizing from experience that it paid best not to be technical but to develop the punch and cooperation that was desired.

By keeping in close touch with each and every situation of every man through careful handling of his daily reports, by publishing

SALESMANSHIP vs. ORDER TAKING

THE ORDER TAKER follows the Path of Least Resistance. He shuns study, works by the clock, and is satisfied to live on the Crumbs that fall his way. He stays in a rut, Opportunity avoids him and he blames his luck, his territory, his firm and his associates for his Lack of Progress. He never rises above the low water mark of Mediocrity but always remains an Order Taker.

THE SALESMAN eats work and forgets time. He keeps posted on facts and conditions and knows whereof he speaks. He works for the joy of working and thrives on the Spirit of the Chase. His Optimism banishes discouragement, hard luck and disappointment. He is a Financial Adviser. He leads his customers and they follow. He grows day by day, Happiness is His and life is real. For the true Salesman, the sky is the limit.

MORAL: "There is more to the Bond Business than merely knowing the difference between Cost Price and Selling Price."

bullish sales letters and by bringing the men together frequently at the sales dinners, it has been found unnecessary to have the men come in off of the road every Saturday to report to the office, and what is thus saved in railroad fare, and in the work being less interrupted, very largely offsets the cost of the dinners and greatly increases the efficiency of the entire organization.

From the information given in this chapter it is seen that successful sales management is not only based on the technical side of business, but is largely a matter of the training and handling of men, and that these two latter are interdependent in that one can not be separated from the other. A sales organization is like a kaleidoscope. Its personnel is ever changing.

EFFICIENCY OF OPERATION

WE ONCE had a man who "sold bonds with his feet". For a while they "paid good dividends" but gradually through the entire Neglect of his Mental Upkeep and constant Decrease in his Street Mileage, the "dividends" were reduced and finally passed altogether. And then came the Scrap Heap.

Some Men are Active Physically and Lazy Mentally, others Active Mentally and Lazy Physically. One trait is as costly as the other. It takes the Maximum of both Thought and Energy to win Real Success. Anything less is a Waste of Opportunity.

Join the Movement for Bigger, Better and Brighter Salesmen. It's Worth While.

The men at the top must be kept satisfied and their producing power must be maintained, the men half way down the line must be encouraged to greater effort, and helped to reach the top, and such of those at the bottom as clearly show they can never rise above it, must give way to others to be tried out. The status of the organization is maintained only by being replenished constantly with new material, the best of which will push up through the rest and help to keep up the standard, and the balance will seek its level.

The most discouraging and most trying feature of sales management is that an organization cannot be developed to a certain degree of efficiency, and then made to "stay fixed" but

DISTANCE LENDS ENCHANTMENT

A COUNTRY SALESMAN once asked to be transferred to the Metropolis where Investors were as thick as Flies, where good Bonds, to be Appreciated had but to be Seen, and One didn't have to be told how to Clip a Coupon; where the Agonizing Voice of the Call Boy was stilled and the Inexorable Itinerary unknown; and where, on every street corner, stood Opportunity and Fortune waiting to be approached by the gallant Bond Man.

A CITY SALESMAN, at the same time, tiring of the hard Paved Streets, longed for the Green Fields, the Trees and Running Brooks; for the Country where the Farmers "cashed in" the High Cost of Living and bought Automobiles and Bonds with equal Abandon; away from Noise, Confusion and Keen Competition, and where an Ounce of Eloquence outweighed a Ton of Knowledge and Information.

And Each, overlooking the Pot of Gold at his Feet, wanted to chase the Rainbow on the Horizon.

Moral: Every Other Fellow's Territory looks better than One's Own.

just as much thought and energy must be expended to maintain its efficiency as was required in the first place to create it. Only a very small proportion of men responds in the same degree as the impulse that is directed upon them. Probably it is well that they do not, or an organization might burst like a fly wheel from being run at too high a speed.

At last analysis, then, the success of any salesman depends first upon himself and second upon his house. The question has often come up how the credit for results obtained should be divided, assuming that the house and the quality of its goods be beyond criticism. The writer has usually answered the question this way:—In the case of a star salesman the

GAUGING THE CUSTOMER

A SALESMAN once lamented that no Customer of His could buy more than Five Bonds at a time. We replied this could not be so but that he was gazing at his territory through the Small End of the Telescope. It was evident he had either failed to locate the Big Ones or did not know how to "land" them, or else did not approach them in a Big Way.

We counseled him that if he would flatter their Vanity by talking Blocks of Twenty-five instead of depreciating their buying power and his own salesmanship by being satisfied with Ones and Twos, he would be surprised at the Result.

The Salesman was Wise, and took the Hint. The next week he reported three Ten Thousand Dollar Transactions.

Moral: A Customer is only as Big as the Man who sells him.

credit should go two thirds to the man and one third to the house, for such a salesman advances the house as well as himself; while in the case of an inferior salesman the credit should be divided two thirds to the house and one third to the salesman for such a man is pulled along by his house and thus retards its progress. Consequently it is not possible to work out any conclusive answer or final proportions governing division of credit between the house and its employee.

The same thing applies to the time honored controversy between the buying department and the sales department. The buying department maintains that a thing well bought is half sold, and therefore it is entitled to the larger share of the credit. The sales department maintains that if a thing could not be sold, it

THE SPORT OF SALESMANSHIP

SOME SPORT is Work and some Work is Sport. Real Salesmanship is Work but it should also be real Sport. If you like to do a thing, it is Sport, if You dislike it, it is Work. The Successful Salesman likes his Work and he therefore gets Sport out of it. The Man who dislikes it, finds it Drudgery, and He is Unsuccessful.

If a Man is a Good Salesman, He is usually a Good Sport, and conversely, a Man who is a Good Sport is usually a Good Salesman.

Be a Good Salesman and a Good Sport.

could not be bought therefore the sales department deserves the honors. The writer does not profess to be competent to settle this much mooted question, but nevertheless he has usually found that the buying department could buy as much as the sales department could sell under normal conditions and therefore the work of the sales department was the more difficult and required the greater ingenuity. This is purely an academic question and is only cited here by way of illustration simply because many salesmen reach a certain point in their careers where they take unto themselves too great credit for the results that their sales records show.

*CHAPTER IX

THE DEVELOPMENT OF THE BOND BUSINESS

The bond is an instrument of credit. The bond holder is a creditor. He loans his surplus wealth and receives thereon a fixed rental in the form of interest and a promise of repayment at a fixed time. So long as the covenants of the contract are complied with he has no control over the property securing his loan. However, if default is made in the terms of the contract the bond holder can theoretically take possession of the property for he has a claim upon it prior to any one not so secured. The stockholder, on the other hand, is the owner and operator of the property. After paying the interest and other fixed charges, he is entitled to the profits of operation or if the property be sold he is entitled to the proceeds of the sale over and above the claim of the bond holder.

The right of property or ownership goes back to the beginning of man. No doubt equally ancient is the institution of credit which is no more than the ability of one person

*See Introduction.

to borrow the property of another and to pay for the use thereof. Probably, in the Stone Age, debentures were inscribed on boulders. As property rights became more clearly defined and better safeguarded the instruments of credit became more specific and constantly afforded better protection until today we have the highly developed corporation mortgage. It is not my purpose to trace the history of property and credit for the subject is inexhaustible, nor do I even want to attempt to outline the early forms of bond issues for that is historical rather than practical and would require more study on my part than the importance of this particular phase of the subject warrants.

Going back, however, fifty years to the dark days of the Civil War, we find that the National Government had to borrow large sums of money at what would now seem to be exorbitant rates of interest. But when we realize the enormous destruction of property at that time, the great scarcity of gold, the much greater purchasing power of the gold dollar, the depreciated value of paper currency and finally the unstable condition of the Central Government, we can appreciate the risks that capital took and also the task that the bankers for the Government had on their hands. Following the close of the war and during the resulting unsettled conditions in the South, the "Carpet Baggers" took advantage of the situation and issued millions upon millions of dollars of municipal securities for which, in many cases, the municipalities received little or no benefit. This resulted in the era of repudiation that subsequently followed. Then came in the '70's the period of wild-cat railroad construction and over capitalization and the issuing of many millions of railroad bonds by over sanguine or loose managements.

All of these influences naturally more or less discredited the general class of bonds as safe investments and it is not surprising that the best municipalities and railroad corporations had to pay seven and eight per cent. for money and even now some of the old sixes are still outstanding.

It was with these conditions yet fresh in peoples' minds and with the laws restricting the creation of debt by cities and counties loose or defective, that the modern distributing banking houses began their uphill fight. In the '80's and even in the '90's there were long profits in municipals, but then it was some work to sell them. While the popular taste for Western municipals was being developed, the larger trunk line railroads were developing and getting on a firmer foundation and their securities becoming better established. Then came the financing of gas and water companies, and of horse-car and cable lines and after that the building of electric light plants, and then in the '90's, the electrification and consolidation of the passenger railway lines, and after that the building of the interurbans. All the while, the steam railroads were pushing out and extending their systems and swallowing up other roads and double tracking, and building terminals, and issuing improvement mortgages, and purchase money mortgages and general mortgages.

While these things were going on, the country was becoming readjusted, and established on a solid foundation and wealth was increasing and people were saving money and investing it. And as one class of securities won the public confidence, the rates of interest for that class gradually fell and the investors sought another class to get a better yield, and so on from one class of bonds to another. And as each class of investments became established in peoples' confidence and it became easy to raise money for that class—over construction and over confidence and over capitalization took place and so it has been through the ages and so it probably always will be. Recently this has been typified by the enormous development of holding companies, buying everything in sight and paying for it with preferred and common stocks, and by the flood of heavily capitalized industrials running the gamut of everything from locomotives and automobiles to five and ten cent stores.

Taking up the thread again, we find at the close of the last century the greatest industrial development that the country has ever witnessed. Trade was booming and everybody was making money and credit was expanding and bankers working overtime trying to manufacture securities fast enough to take care of the enormous investment demand. Money had never been so cheap before. New York Central 3½'s sold at 113¼. Cities like New York and Philadelphia were putting out 3's, and even some of the railroads of lesser importance put out 3's and 3½'s, though at a discount. 1899 to 1900 saw the climax of this movement and in 1901 the pendulum started in the other direction. From then until today with slight interruptions, there has been a steady decline and we are getting back again to a period of relatively high money rates. How far this present movement will go, it is impossible to say, but the turn has to come some time for the pendulum cannot swing in one direction forever. Some people pretend to say that we will never see another 3% investment rate. That statement is, however, impossible to prove, but it will probably be many years before rates are so low again.

In 1901 the municipal bond business had seen its palmiest days as far as the banker was concerned. Steam railroad bonds were in high favor. Gas and water bonds were well established and fairly popular, but difficult to purchase on account of the scarcity of the issues. Street railway, electric light and power and hydro-electric securities had had their ups and downs and it required intelligent salesmanship to place them.

The past ten years however have seen the last named bonds steadily increase in popularity. With growing experience, bankers have learned how to separate the good from the bad, and how to safeguard the investor; also the constantly increasing cost of living and the continued declines in the prices of "rails" have forced home on bond buyers the advantage of properly secured "utilities". Likewise, the fact that public service companies supply public necessities for which the demand is constant, insures a permanency of earning power which increases with the growth of population while steam railroads and industrials are more or less subject to general business conditions. Finally, the generally prosperous condition of the country over a long period of years has created a multitude of investors, and during the past few years the high-class magazines and periodicals and the educational work of bankers have taught the people the advantages of good bonds. The result is that never before in our history have public utility securities been so well regarded and so popular.

Before passing on to the next point in the discussion, it may not be amiss to read you an article which I contributed to the 1912 Annual Financial Review of the Public Ledger. It is as follows:

"Some people try to combine speculation with investment in buying bonds and, as a result, accomplish neither purpose. Theoretically, a bond is the safest form of investment. Obviously, therefore, it should have the smallest element of risk. That which has no risk has no speculative value. Conversely, anything that is speculative has risk. If you have a dollar, you can either invest it or you can speculate with it. No one dollar is big enough to do both kinds of work at the same time. This may sound elementary, but it is surprising how many people have not learned the lesson."

"There are hundreds of ways in which money can be risked with the hope of getting an abnormal return, but there is only one way in which to invest in bonds, and that is to put the point of safety above all others. If bonds are bought because they are safe, the buyers should be satisfied with a normal return and should expend his energies toward getting the greatest factor of safety commensurate with the rate of interest he must have."

"There are degrees of safety in investments, as in mechanics. A bridge need have only a reasonable margin over the greatest weight that can be placed upon it. Any greater factor than this is a waste of material. A security should have all the elements to make it safe beyond question, but it need not possess such a high degree of perfection that it becomes a luxury, for then it is a partial waste of investment capital. In other words, for the average investor, the most satisfactory bonds are not the low rate municipals or high-grade underlying rails, but properly selected public utilities yielding in the neighborhood of 5 per cent."

"The basis of sound investment is knowledge and experience, not the necessarily superficial information of the layman, but the specialized training of the most careful of investment bankers. Only through the broad experience of years, gained by financing a large number of securities under widely different conditions, is a firm qualified to make the rigid constructive investigation which will enable it to recommend to its customers an issue, with an assurance of permanent stability. It is the application of intelligent methods, derived from this thorough school of experience, that is the investor's safeguard, and an outline of a few of the lessons taught may not be amiss in this financial review."

"A few years ago the theory was that, to be choice, a bond had to be secured by a first mortgage, and a closed one, at that. However, the views of bankers have changed and the old idea of binding a company hand and foot has given way to the broader view of allowing more discretion to the management under proper restrictions. It is not a question of how much is ahead of a security, but of how much is behind it. Our country and its resources are developing rapidly, and the facilities required by the people must keep pace with the growth of population."

"It is impossible to anticipate corporate financing very far ahead. Consequently, if a mortgage is too closely limited in amount it is quickly outgrown and refinancing at advantageous terms may prove difficult. This is a disadvantage to the bondholder and may prove a drain upon the property securing his obligation. It is far better that a mortgage be made large enough to take care of the corporate necessities for years to come. The security holder can be amply protected by providing that bonds can be issued for only 80 per cent. of the actual cost of new property, and then only when gross earnings are five times and net earnings one and three-quarters times the fixed charges upon all bonds outstanding and proposed to be issued. An additional safeguard frequently employed is the creation through the mortgage of an annual maintenance and depreciation fund."

"The essential margin of net earnings over fixed charges depends upon conditions. One security requires more than another. The smaller the company, the larger should be the margin. Under normal conditions a ratio of two to one is ample. In the case of very large corporations, if the net is one and one-half times the fixed charges, this is usually sufficient, as the earning power is less affected by outside conditions and the final surplus is sufficient to take care of unforeseen contingencies."

"Unfortunately, in many published statements the true earnings are disguised or cleverly arranged to give a wrong impression. The writer recalls one very prominent case where, under the caption of "operating and other expenses" were included the fixed charges on a very large amount of underlying bonds. This presumably was done to give the impression that the resulting net earnings were twice the fixed charges of the company, whereas the margin over the total fixed charges was dangerously narrow."

"This is an abuse that is common to many holding companies. Where a corporation controls a number of subsidiary companies and the earnings of the latter are carried forward into the parent company treasury, the income accounts of all the companies concerned should be closely scrutinized, and unless the total net earnings show a very comfortable margin over the total fixed charges, the parent company's bonds should be let alone, even though the carried forward surplus earnings of the subsidiary companies are two or three times the fixed charges on the parent company's bonds. This is a matter of the greatest importance in buying corporation bonds, and a pad and pencil and a copy of a manual are an excellent precaution."

"Earnings are figured differently by different operators. One man will charge against capital account items which another man would properly charge against operation. One manager will pro-rate over a long period of years the expenses of contract solicitors, while another manager will charge this into the year during which the earnings were increased. The experienced investment house has analytical accountants who are competent to go into all the numerous matters of this character and make up their own statement of earnings from the company's books, for while few operators purposely create a wrong impression as to earning power, some draw the lines much less closely than others, and the complexion of a statement is frequently very much changed after it has undergone a rigid examination."

"The future growth and stability of a territory have a greater bearing on the permanence of an investment than the past successful operation of the company supplying it. It is better to buy the bonds of a corporation earning a relatively small margin over fixed charges, but operating in a rapidly growing section, than it is to buy bonds of a company earning two or three times its interest, but operating in a stagnant or declining community. The character of the population and territory are also of great importance; likewise, the greater the diversity of business carried on by a corporation, the more stable its earnings. All one-industry communities, pleasure resort propositions and similar opportunities should be passed by."

"The physical or replacement value of a property is the cost of duplicating it in an equally good condition to accomplish the same amount of results with the same degree of efficiency. If money has been wastefully spent or property has been unnecessarily duplicated, the junk value of the plant, but not the replacement value, has been increased thereby. The physical value of a property should be considerably in excess of the total funded debt, otherwise an agitation for lower rates might reduce the earning power to a point where the margin of safety was impaired. Probably replacement value and earning power taken together are the two most important points to be considered in investigating the safety of a bond issue."

"There are experts and experts. The value of a physical, legal or accounting examination depends entirely upon the ability and reliability of the man who makes it. The successful investment banker must know his experts thoroughly and be able to size up which one is best suited to make any particular examination."

"The influence of the personal equation must be eliminated by having the report made by the expert for the buyer and not by the expert for the seller, for no matter how honest and honorable a man may be, he is unconsciously influenced by the interests of his employer. Having secured the reports from the legal, engineering and accounting experts, these must be interpreted by the banker in accordance with his experience and his knowledge of conditions. He is the final concentrating force who harmonizes the divergent elements and welds them together in permanent financial stability."

"What makes a security marketable? Listing alone does not do it. It is supply and demand; and the demand for a security depends upon its intrinsic quality and upon its having been properly 'placed' in the first instance. A security that is weak in itself or has been handled by a weak house will not 'stay put'; likewise, even a good security, when not sold to ultimate buyers, but placed in large blocks to institutions buying for a turn, will have a 'soft' market until thoroughly absorbed. On the other hand, when an issue of good bonds is entirely distributed to actual investment buyers, the market will take care of itself, for the normal demand will absorb any small amounts offered for sale. Listing a bond issue does not create buyers: it merely establishes a printed quotation and a convenient method for a seller and a previously created buyer to get together. Properly placing a bond issue in the beginning is of far more benefit to the holder than having it listed on an exchange. The responsible investment banker who does business on a large scale is in the best position to see that new issues are so placed that they will afterwards enjoy a ready market."

"Some investors believe only in municipals. Some only in railroads. Some only in utilities. This may be termed 'vertical classification' and is an absurdity. What the writer terms 'horizontal classification' is the safe principle. In other words, the best secured of the three kinds of bonds mentioned is a good investment. No one can say that all municipals are good, or that all railroads are good, or that all utilities are good; but the best of any of these is a good security and a good utility is far better than a poor municipal."

"To illustrate, it is the writer's experience that a good public utility paying 5 per cent. or less is better than any railroad or municipal yielding the same rate of income, and the average railroad paying 4¼ per cent. is better than the average municipal paying the same rate. Each security should be judged on its own merits and compared with its own class, and only the best of any class should be selected regardless of yield. If the best of one class does not yield enough, do not take a poorer bond in that class, but go to the best of the next class."

"These are a few of the points encountered in trying to arrive at a correct judgment in buying bonds. There are, however, many other things having a direct bearing on the situation. Each security presents its own complications. These require the most painstaking, thorough and experienced investigations. The layman has not the means, ability, opportunity or knowledge to do this, and even if he had, his relatively small investment would not justify the expense. Furthermore, the combined judgment of an organization of trained experts is better than the judgment of any one individual can possibly be."

"The proper kind of an investment banker feels a deep responsibility toward his customers; not only the necessity of recommending to each person the kind of security best suited to his requirements, but the obligation to watch over that security and see that it is not impaired, and also if the customer desires to realize upon his investment, to see that he receives a fair market price for it."

"In the last analysis the subject of investments is so broad and it is so difficult to separate the wheat from the chaff and so few people are familiar with financial matters, that it is more important to investigate the banker than the security he is handling. If he has the reputation, gained by years of successful business, of giving every customer, whether large or small, a square deal; of handling only securities of the highest quality and of standing back of them, and of making a market at a fair price when a customer desires to sell, he is the man whose advice should be taken and the value of whose services should be appreciated."

Our aim and ever present ambition is:—

To sell bonds that are safe and which will always remain so.

To make new customers.

To keep the customers already made satisfied and make them strong advocates of our methods and our securities.

To build up an organization of clean self-reliant men.

To give everybody a fair and square deal, keeping the size of the dollar forever in the background.

To lift our work above the level of a worldly grind and make it a joy and an inspiration. Hard honest effort makes a clean mind, a healthy body and a cheerful spirit and brings results that compensate.

The house that tries to make all its profit on the first sale has a perpetual job hunting for victims. One dissatisfied customer can cost more business than will be made by two satisfied ones. Our success is dependent upon small profits, repeat sales and a large volume of business. For us there is no money in the first sale. We must demonstrate that our goods are of the highest possible quality. They must stand up under the test. Confidence is a plant of very slow growth and yields quickly to the frost of suspicion. In watching the work of various men over a period of years, I am satisfied that the primal quality of salesmanship is the ability to impress the prospective buyer with your sincerity. No matter what the standing of the house or the quality of the goods, if the salesman cannot inspire his customer with confidence in his trustworthiness and in his knowledge of his subject he is foredoomed to failure. The man who can be trusted, who knows his business and who sells goods that are right in quality and price, need not worry about cut throat competition.

There is no question that our men are backed up in a way that is not excelled, and I doubt if it is anywhere nearly approached by any other house. We employ a class of men of the highest and cleanest type, we have a reputation that is beyond question, we are well and favorably known, we are "on the job", we are liberal in our treatment of both customers and employees, we protect our bondholders in a more than creditable manner and finally we handle a class of goods that has stood the rigorous test of time.

We do not claim to be the only good house in the business. We are not afraid of competition for "honest competition is the life of trade" and the more people we have educating the public, the more bond buyers there will be. Our greatest competitor is the "home investment", particularly the "local mortgage". Education and plenty of it is the antidote for this. Probably our worst handicap is the fact that in no other line of business is the buyer so ignorant of the quality of the goods he is buying or so helpless in distinguishing the good from the bad. Therefore, confidence is an abnormally large factor in our relations with our customers. Also our trade is more apt to be saddled with goods of inferior quality at low prices bought from less reputable or less experienced houses.

Meeting competition successfully calls for plenty of tact and considerable psychology. No buyer wants to have his own shortcomings pointed out to him, nor does the world love a knocker. Do not dig up the weaknesses of your competitors' goods but speak well of the good points, and then pound home with every ounce of ability and energy you possess, the strong and incomparable points of your own security and boost your house. The average buyer is not analytical. Know all the facts about the bond you are selling, but do not swamp the customer with figures unless he invites them, and then be prepared to give him all the information he wants. Cultivate his confidence in you and in the house, and when you have won it, your competitor is going to have a hard task to displace you. Knowledge is power and confidence is three-quarters of the battle won.

*CHAPTER X

SALES METHODS AND AMMUNITION

In this series of talks a large number of essential facts regarding the investment business has no doubt been discussed and it is important that you should be familiar with as many of these as possible before attempting to sell bonds, but to attain any degree of success a salesman must have a good knowledge of the bonds he offers before approaching a prospect. A sale in this line of course is based upon confidence in either the house or the representative, but generally both. Therefore to inspire the confidence of the client by his knowledge of the offering, the representative should be able to discuss it without reference to his circular, as he will be more likely to hold his customer's attention and at the same time form an opinion of his peculiarities. As a means of mastering the important facts of our corporation issues I have found it helpful to make a brief analysis of each one. It will not only serve you as a quick reference, but will assist you in memorizing the important details of an issue in a logical

*See Introduction.

order. In making this analysis it should be paragraphed under different headings and brief enough to be typewritten upon one side of a sheet.

I have found the following form very convenient:

First: Name of bond, interest rate, maturity and interest dates.

Second: The capitalization. Showing the securities in the order in which they are a lien on the property. For instance, if the bond which you are offering is a first lien, list that first, and then the second lien, followed by the preferred and the common stocks.

Third: Territory. Give a brief outline of just where it is located, the population, the area served and the past growth of the district.

Fourth: Description of the property. State nature of same, capacity, or mileage if a railway.

Fifth: Equity over bonded debt. This may be arrived at in different ways, either by actual appraisal of the engineers, or upon the basis of the market value of the junior securities, or upon the earning basis. Some large operators claim certain properties are worth from seven to eight times their gross earnings.

Sixth: Earnings. Give a comparative statement of gross earnings, for a period of years, and for the last or current year show also the net earnings, interest charges and balance.

Seventh: Franchises.

Eighth: General. Mention the fact if it is tax free or listed and the prospective growth of the territory, the holders if you are permitted to do so (such as institutions), the engineer's responsibility and something about the accounting certificate. More and more importance is being attached to the certificate of recognized public accountants, particularly by investors who have questioned the accuracy of earning statements submitted by many corporations in the past.

As additional ammunition or information, I would suggest that you familiarize yourself with the following arguments:

Bonds vs Stocks, Bonds vs Mortgages, Listed vs Unlisted Securities and Corporation vs Industrial, Railroad or Municipal Bonds. You will be asked many, many times to tell the advantages of one of these over the other.

One of you gentlemen asked me recently about the arrangement of a working list. You will find the card list convenient for larger towns and cities because it is possible to separate names in the different sections of the city and carry only such as you may need. I am sure a book is more convenient, however, for a country territory. I use a loose leaf book, arranging the names alphabetically on the sheet and then arrange the sheets alphabetically according to town. Lists of bank directors are made on separate sheets inserted next to the index guides. If you have a large list use a separate loose leaf book for customers and their holdings. Arrange sheets in this book alphabetically according to name instead of towns. This will enable you to make any notations desired regarding disposition of securities held, traded or sold without lumbering up your list of names. It also affords a quick and convenient reference, particularly if you supplement this information with a cross index of our own corporation issues which have been sold in your territory.

The handling of a bank board is a problem of influencing men, but quite often one of influencing a man. I have found that the majority of boards are dominated by some one or two men. But before you get to the board you will encounter the cashier, or other active official in charge of the bank (and he is sometimes from Missouri). You will find some cashiers fairly well informed; but you will be surprised at the ignorance of securities on the part of a large majority of bank officials.

The difficult man to handle is the constant grouch. He is found in every industry but there will be times when you will think they are all in the banking business. I recall an experience I had with a man of this kind which may interest you. The man I refer to was the cashier of a bank and had a very brusque manner. Although I had made many calls he never seemed to recognize me when I first went in. He would come to the window, look at my card and just about the time I began to discuss some offering he would walk over to his desk some distance from the window, sit down and begin to read or talk to some of the clerks in the bank. Of course that was extremely discourteous to say the least, and after several vain attempts to get his consideration of our house or our offerings I mentioned my experience to one of the directors for I knew they had bought bonds in the past. He admitted that the cashier was quite peculiar but intimated that without his (the cashier's) endorsement of an issue it would be useless to discuss it with the board. He told me, however, that at a previous meeting they had discussed some Pennsylvania 3½'s, 1915, which yielded at that time about

4½%. A few days later an issue of Pennsylvania equipments came out. I called the cashier up on the 'phone from a nearby town and told him I could offer some Pennsylvania Railroad equipments, and to my surprise he asked for some information; finally he said, "How many should I take?". I suggested not less than $15,000. He replied, "You can send me $10,000". Of course, this was unexpected. Next time I went over I received a more courteous reception and an opportunity to discuss corporation bonds with him. A short time afterwards I succeeded in having him come one evening to the hotel at which I stopped and spent a couple of hours with him. During this interview I learned considerable regarding the bank's holdings and some of their unfortunate investments which partly accounted for the cool reception he gave bond men. Next time we had a new corporation issue I called him on the 'phone and told him what we had and that I would like to file his order for $10,000, to which he finally agreed. Later we had another corporation issue of which I sold him $25,000. This is only another instance to prove that even the most obstinate men can be brought into line by persistence or a little ingenuity.

It is desirable to ascertain as early as possible the purchasing power of your banks. For instance, if it is the rule of an institution not to buy more than $10,000 of any one issue and they adhere to that very closely, it would of course be unwise to give them your best price on larger quantities. When bringing out a new issue it is usually customary to make a concession on blocks of $25,000 and over, and it is not advisable to mention this to smaller buyers unless you have good reasons to think the concession is sufficiently attractive to induce them to make an exception or increase their limit.

Orders offered by bank officials subject to the approval of the finance committee place the salesman in a peculiar position at times. It is desirable of course to have such an official at least committed in case there should be other offerings submitted to the board and yet if it is a listed issue or something which may be sold out before their meeting, the house may not be willing to fill the order at the price previously given. The committee in many banks will almost invariably approve such purchase but the house will often depend upon the salesman's knowledge of the situation and advice in accepting the conditional order, and it is a good policy when possible to ascertain at least the sentiment of the individual members of the committee towards your bonds, particularly where you have had no previous dealings with the bank.

A little diplomacy is necessary at times in order to get permission to discuss offerings with the directors or finance committee. Some committees are more liberal than others with their time, and in many places where you or the house is fairly well known you will be given an advantage over leaving your circulars where, perhaps, they may become buried among those of competitors. You will find it advisable not to distribute circulars among members of the committee before you have discussed your offerings, for if you do, some will be looking at the map perhaps, while you are discussing the earnings, or at the possible water in the common stock while you dwell on the location, with the result that the force of your argument will be lost.

If you are not familiar with the preferences of the board I would suggest that you offer two or three issues. Mention first some well known bond, the security of which is unquestioned; that will often give a very good impression and perhaps avoid any prejudice at the beginning. This applies of course more particularly to some country banks having directors who are not well posted. It is a mistake to offer too many different issues, and my experience is that three is sufficient except in special cases where a large amount will probably be purchased. You will find the cashier is generally interested in getting as high returns as possible while the board may give more attention to safety.

Discuss offerings with as little reference to your circulars as possible for you will then have an opportunity to size up the probable kickers and the talkers, and you are better able to hold their attention, and at the same time make your arguments more effective. Often times the cashier will turn over his circular in the meeting to the most influential man on the board and that information may be of value to you later. Draw out as many questions as you can before leaving the meeting, for if you can start a discussion it will give you an opportunity to overcome any individual prejudice or clear up any points which may have been covered too hastily or perhaps omitted. When questioned in the meeting about offerings of competitors, it is a good policy to say as little as possible for the competitor may have friends on the board who might be offended should you give too much information regarding something they had endorsed at a previous meeting.

You will be asked sometimes if any banks in the vicinity have purchased the issue you may be offering. In such cases it is advisable to simply say you must decline to discuss the holdings of any of your customers, because that is a confidence which you are not permitted to violate, and no one can take exception to your reply.

If the board is small it is sometimes possible to remain until action is taken and defend your case should there be any opposition. This privilege does not come very often however. Discourage if possible the discussion of anything foreign to the offerings you present. I know of one board where two of its members are of different political faith and they nearly always get started on politics while others become impatient and at times threaten to leave before any action is taken on investments.

In another instance, I was discussing some offerings with the cashier and finally asked him about the prospect of talking to the board when they met that day. He said he didn't know, but he was afraid the chances were not very good. He added that they had had a peculiar experience the week before. It was a comparatively new bank and some inexperienced bond man had been granted this privilege at their last meeting and after making a few remarks about his bonds some questions were asked by the committee, but he did not seem very well posted and evaded most of them. He then endeavored to entertain the board by reciting some poems in Scotch dialect. Of course they were disgusted and were not inclined to admit any other bond men to talk to the board for some time afterwards.

The point of taking orders subject to a correspondent's approval has probably been discussed by others in this series of talks. However, I will add that if you know before the committee adjourns that this condition is to be placed on the order, you can often have it waived by going before them and stating that you will be very glad to have them refer any of our offerings to their correspondents, but they must realize that their correspondents have no engineering or other facilities for investigating the offerings of bond houses and that they do not know any more about the issue than what is told in the circular. Furthermore, they should put themselves in the position of their correspondent and imagine a customer coming in and requesting their approval of some bond he or she might wish to purchase. It is quite likely they would be reluctant to assume this responsibility. What you should advise them to do would be to write and ask their correspondent something about the responsibility or reputation of your house and their past experience. You can then sometimes draw up a letter addressed to the correspondent for the cashier along those lines, which will serve their purpose and at the same time you avoid leaving the impression that you are afraid to have your offerings referred to the city bank.

In regard to calling special meetings, I might say that some banks have a finance committee which is composed of from three to five members. If you have something of sufficient importance it is often easy to have them call a special meeting, particularly when they meet only once a month. The point is if you really do have something that requires immediate action, don't hesitate to suggest this to the cashier anyway.

Personally, I don't think there is any great difference between the country investor and the city investor except perhaps in the number of bond men he may have calling on him. Some of the larger investors in the city are probably a little better posted; but anything which may be done or said to gain the confidence of the city investor would in my opinion apply to the country investors. Give the client every reason to know that you consider his interest paramount in making recommendations to purchase or trade. Take advantage of every opportunity to impress him with the care exercised and the thoroughness of the investigations made by the house before an issue is bought.

In this connection I might add that you need not fear repetition, for some investors must be assured and reassured every time you call upon them. You should ascertain the degree of security and marketability which the particular prospect requires. A great many investors imagine they must have a listed bond and be able to see daily quotations in the papers. If this is not necessary they naturally sacrifice income or security for a degree of marketability that serves them no real purpose.

I think the state of mind of the salesman is contagious to a very great extent, and if he thoroughly believes in what he has to sell he will not only be more likely to effect a prospective sale but will at the same time (unconsciously perhaps) get a better hold on his client's confidence.

Last year the house offered one of the largest corporation issues which they ever handled.

One might have thought there would be sufficient bonds for everybody. For some reason, however, the impression seemed to prevail that such would not be the case and as a consequence we sold people who had never bought corporation bonds before. This was due I think to the fact that every man went after his customers with enthusiasm such as he had never had before and overcame every objection the investor could raise against the issue. We read considerable about the advantages of enthusiasm and some of us are born with it; some have it thrust upon them, but I am afraid most of us have it only intermittently. There are some very good little magazines published which I find contain some excellent articles likely to stir up a little extra energy when business is not exciting enough to keep up one's spirits.

You of course know the dangers of knocking bonds offered by competitors. It is a good plan to make comparisons when asked for information regarding a security which you know has certain weak points. Select some one of your own issues with which you are familiar and show the advantages of one over the other. By this means you avoid direct knocking and at the same time put in a good argument for your own bonds.

I once called upon a bank and the cashier told me they were seriously considering the purchase of $10,000 of a certain corporation bond offered by one of my competitors. I knew that some of their directors personally held blocks of the issue in question and that there was a strong probability they would approve the purchase of some for the bank. The cashier was kind enough to loan me his circular of the issue which was offered at 97. I then made a comparative statement with one of our corporation issues selling at 95. The nature of the product of the two companies was similar but our issue was decidedly stronger from standpoint of earnings, past growth, capitalization and other features, which advantage at first might not have been apparent to the directors on a casual observation of the circulars. After discussing our bond with the board, some one asked for an opinion of my competitor's offering. This gave me just the opportunity desired, and I laid before them the comparison which had been prepared in advance with the result that we secured the order. This incident also emphasizes the advantages of being in close touch with the cashier or at least one member of the board.

There is one feature I wish to mention

regarding the adjustment of interest charges in the profit and loss account of banks or institutions. I have offered bonds to banks at times when the cashier objected on the ground that he didn't like the interest dates. His objection would be based on the fact that there was too much accrued interest to pay and charge to his profit and loss account shortly before his dividend period. This would be brought up perhaps only by small institutions but instead of charging the accrued interest against his profit account, he should open an "interest paid account", which would be carried on the debit side of his ledger as an asset until the coupons matured, and by so doing his books would show the true condition of the bank and his interest and discount (or profit) account would not be affected by the purchase of such bonds.

The question of when to use the telephone can better be learned through experience. When you are sufficiently well acquainted with your customer to close a sale by telephone considerable time and expense may often be saved but you will remember also, it seems much easier for the client to say "No" over the telephone than it would be if you were present. I have made a considerable percentage of my sales this way at times when it was an impossibility to see a man personally. You can also reach a man sometimes who may decline to grant you an interview. Under ordinary conditions, however, direct personal contact is the most efficient and the most productive method of salesmanship, and is the one which I would advise you to follow.

*CHAPTER XI

SELLING COUNTRY TRADE

Mr. Peirce has asked for a discussion of the topics "Selling Country Banks" and "Handling the Country Investor", as outlined in your memorandum, and I shall try to give you a review of the conditions as they have developed in my territory during the past few years.

The two topics specified really come under one heading. In other words, your country banks and your country trade are practically the same thing, for when you handle an institution, you handle not only the institution, but all the directors of that institution. In lots of cases the directors of such and such a bank that you sell, will also be your customers individually, and they are the men you should cater to and cultivate, to help you with the bank.

When you sell a country bank, you generally have to address the board, which as you all probably know, will consist of from five to fifteen or twenty members. As a rule the president or cashier and one or two or three of the directors pass on the offering, and the best plan

*See Introduction.

is to be especially close to those men who are really the controlling factor of that institution.

Before presenting an offering to a board, it is a foregone conclusion that the members of that board, as well as the cashier and president, know the house and think favorably of it as a bond house, or are acquainted personally with the representative, otherwise some education or information as to the standing of the house and the securities they handle, is first necessary, or the bank will want to make some inquiries, or refer all your offerings to their correspondent for approval. In this event if we are offering semi-active securities or ones that are not listed, the chances are nine out of ten that the trade will not go through, for the correspondent for lack of knowledge will not give them a favorable report, as it cannot take the time necessary to make a study of the various securities about which its country institutions make inquiry, and the consequence is that you lose out on the sale. Of course, when we are offering securities which are listed and have an active market, a favorable reply is usually received from the correspondent, and in cases of that kind where a bank likes a bond you are offering, you will generally get an order.

You must educate your directors and the

officers of an institution as to the standing of our house, and point out to them that much depends on the house. For instance, a country bank writes to a Philadelphia bank and asks about a bond we are offering, and the Philadelphia bank doesn't know anything about it; they may have heard about it, but they will not take much time to look it up; they will find out what little they can and say, "We do not think much of it" or something of the kind. If you educate your people and make them know that our house always investigates a proposition very thoroughly and that before we buy an issue it has to measure up to a certain standard, after a time you will have their confidence and sell on your initial offering.

Before presenting an offering to a board, you should know your subject very thoroughly. If you stand up before a board with a dozen members sitting around the table and make a speech telling all about the bond, they will probably want to ask some questions. You should have your answer right away and be familiar with your circular, know everything on your circular. Lots of times some member of the board will ask something about the replacement value or will ask what are the restrictions on issuing additional bonds. If you are not familiar with that particular point, you should know where to turn to your circular to read that explanation to them. If you cannot do this, they are going to be a little wary, for they will think you are not posted as to what you are presenting and do not know your subject thoroughly. When presenting an offering to a board, you should have lots of information in addition to that shown on the circular, especially after you have once gotten your board interested. For instance, when we are going to bring out a new issue, the house will give us a four or five page memorandum, and on that will be many points that are not in the circulars, and if you make notes of those points and use them as a final argument before you are through addressing your board, they will invariably be very convincing. To my knowledge we have never yet put out an issue that we didn't have what we call "an advance memorandum". This will give you plenty of information, in addition to that on the circular.

The board does not necessarily always pass on your offering. The president or the cashier may control the situation, and in cases like that you must always go to the president or the cashier first and personally make your offering to him and practically get his approval before you talk to the board, and in those cases a strong talk to your board is not necessary; just give a general outline of the specific security, and then the president or the cashier will give them any further information they want; after which you will be excused, but you should wait outside in case any questions come up which they want answered. In other cases, where the board considers an offering and must pass on a purchase unanimously, be prepared to give them complete data on your offering and after explaining it in detail, inform them that you are ready for questions and will cover more fully any points they do not understand, or any other points you did not mention, about which they may wish some information. If there are no questions forthcoming, and in nine out of ten cases no one will ask any questions, your best point is to ask Mr. So-and-So for instance, a man whose influence goes a long way, whether he has any questions, but beforehand you should have acquainted Mr. So-and-So with the issue that you have presented to the board; invariably the man that you ask the question of will say there is nothing further he wants to know, and that has a great deal of influence with the board. If the party whom you address does not ask any questions, you can feel pretty well assured of an order.

It is always a good idea to get to a town, especially in the country, an hour or so before the board meeting. You may have a new offering with which they are not acquainted, and if you are there early enough you can have a talk with a few of the directors, see the cashier or president or some influential member of the board, and acquaint him fully with the facts of your offering.

In one of the banks up State I had addressed the board from time to time without success. I finally found out the cashier was looking for a commission. The cashier would always tell me they didn't have any money but would buy as soon as they had funds. I was very friendly with two or three members of the board and really had an order from this bank for ten bonds of a certain issue then selling at 94 or 95 now selling at 101. We had the order on our books but they never wrote in to ship the bonds so the transaction was never closed, due to the fact that the cashier was not offered a commission. The next time I had a chance to do business with them was on an offering of another new issue. After addressing the board I waited around until they had adjourned. The cashier called me over and said, "We are going to buy some of those bonds, but cannot buy them now as we do not have any surplus funds." After leaving the bank I walked over to get my trolley, and while standing there two directors with whom I had gotten very well acquainted came over and said, "Did you fix that up with our cashier?". I said, "Fix up what"?, and then they told me the board had passed a resolution asking us to give them an option on ten bonds until their next meeting. They did not have the money, but they wanted an option on these ten bonds for a week, as they expected funds within that time. I told them the cashier didn't ask for anything of the kind. That made them pretty hot and immediately they got busy and called the entire board together again. I went in to their board meeting again, the cashier being present, with the result that they gave me an order for ten bonds, delivery within thirty days. That opened their eyes and they had the assistant cashier check up their files, and found that the cashier had been getting a commission on everything sold to the bank. The result was he lost his job the following 31st of December. They have a new cashier now and we have sold them probably seventy or eighty thousand dollars worth of bonds since. That was a little over a year ago, and they have since proven to be very good customers, and the new cashier will write in whenever he has a customer in the market and say, "What have you to offer for a customer of ours who has so much to invest?".

Another experience I had with an institution —an old one and a very good bank. They have about $100,000 capital, over $100,000 surplus and deposits of $700,000 or $800,000. I called there regularly and became very well acquainted with the president of the bank and knew the cashier very well too. Every time I went in there for three years straight, I got exactly the same answer, "We are not buying bonds; we do not buy bonds, and we do not consider them." A little over a year ago they met with some pretty heavy losses in commercial paper, with the result that they decided to buy a few bonds. Fortunately I happened to be on the job and knew they were in the market. The first order, I think, was for only five bonds, but they have purchased since that time about sixty thousand dollars worth of securities, and I have sold them practically everything we have brought out for the last year or so. I have done about $40,000 worth of this business out of the total of $60,000.

You may call on a bank time after time with the same answer, "that they do not buy bonds".

Do not let this discourage you, especially in a town where you go regularly to call on other institutions or individual investors, for it takes only a few minutes to stop in a bank and have a chat with the cashier or president of such an institution, especially when they are not interested; but some day that institution is going to buy, and that is the time you should be on the job. It pays to keep after an institution of that kind, because they will be a customer sooner or later, and when they do buy it will be from the man who has been the most persistent, and especially the representative of a house like ours. Since then I have sold the president, three of their directors, and three or four of their customers, and I have probably gotten seventy to seventy-five thousand dollars worth of business out of that institution. Not long ago the president told me they had two very good customers who up to the present time had been buying real estate, that is, local real estate such as farms in the community. He said, "Some of these days before long they are going to buy bonds, and when they do buy bonds I want you to get the business". He even went so far as to take me to the office of one of these men, a man making from fifty to sixty thousand dollars a year, introduced me to him and said, "When you are ready to buy bonds, the house this man represents are the people to buy from". The first of April I was in the bank, not to make them an offering for they were busy, but to check up on something else, another trade I had pending; I wanted to see the president and after I was through with him the cashier said "I want to see you a minute". He was talking to one of their customers at the window; I went over and he said, "This gentleman has a couple of thousand dollars to invest and also has some friends who want to make some investments." He said, "Take him back in the private office and talk to him", which I did and found out that he had a couple of thousand dollars and the rest of the family had forty-five hundred. While talking with him the cashier came back and said, "Whatever this salesman recommends is all right; you can take his word for it". I didn't sell him, but will later on. This is just one of a number of similar experiences, and lots of this kind of work is necessary in order to develop new sources of business.

Another bank generally buys from one of our competitors,—that is, the board prefers their bonds. The cashier is friendly to our house, a good friend of mine, always treats me very nicely, and I have sold the bank three times. I had an experience a few months ago with this institution; being in town one morning to see an individual, I stopped in the bank the first thing and asked whether they were in the market, getting the answer that they didn't have any money. I made an offering of railway bonds on which we had reduced the price from 98 to 97; the cashier seemed to like them but was not very enthusiastic, for the reason, I presumed, that he claimed not to have the money. I found that they held a gas issue due in July of this year, and I suggested that they make a trade on those; the cashier seemed to think that a pretty good proposition, and asked if we could pay 100¼ for them. I saw a couple of the directors, one a customer of the house, then attended their board meeting. I didn't expect to get any business; the cashier called me in and asked me to make the offering of our bonds to their board, which I did, with the result that they gave me an order for five thousand for cash. I was down town after the board meeting and one of the directors came along and said "That was very good work of yours". I said, "Is that so, how do you mean"? He said, "We had made a purchase of five bonds from your competitor at last Tuesday's meeting, and were just awaiting the confirmation of our order before we had them shipped from New York". This experience shows how changeable a board may be from one meeting until the next, and how necessary it is to be on the job when you have a trade pending.

Lots of times you will get a new name on an inquiry, a private investor who will have from thirty to fifty thousand dollars to invest, maybe only five or ten. You will get that business, and he probably will not have any other money for one, two or three years. Just because he is not going to have any more money, and just because he is not going to do additional business in the near future, it does not pay to let him get away from you. Call on him, keep in close touch with him, and know what he is doing. You cannot afford to give up his business and discontinue your calls, for a competitor is sure to get acquainted with your customer and benefit by your hard work.

Sometimes you will call on a man and he will tell you he hasn't any money to invest; you can sit down and talk with him along general lines and after a while he will say, "Go down and see Mr. So-and-So; he has some money", and he will probably allow you to use his name. In half the cases, he will make the call with you and introduce you, say you represent a good house, that you handle good bonds, etc. Always ask him before you go to see this certain party whether he objects to his name being used. He will invariably say no.

I have one customer whose name was secured through a financial paper, by whom we were recommended very highly. This customer is a woman and had at that time about forty-five or fifty thousand dollars. A predecessor salesman of ours was the first to call on her and sold her twenty bonds on the first interview; she didn't have the money, but took them up within a reasonable time. I kept after her and also sold her. She will not have any more money now until some member of the family dies but fortunately she likes to make a trade, and if I have a good proposition I can generally work one out with her. It is not always necessary to make it a personal interview, either. A letter from the house followed by a telephone call the afternoon after she has gotten the letter generally brings the answer yes or no, and it has never been "no" in her case. In this case, the house was already favorably known to this prospective customer before our salesman called, but in order to "cinch" the future business, a general education developing her confidence in the house was necessary.

An institution which is only about two years old has proven to be a very good customer. A number of the fellows pass that institution by because it is so small; they called upon it at the first meeting and as they did not get any business they thought it was too small to bother with and a number of them haven't been back. We had originally had an inquiry from one of the directors who had heard favorably of our house, and he wrote in telling us that such and such a bank was going to buy the next week. I went to see the cashier and found only one other man on the job. I made a number of offerings to the cashier and it looked as though I would get their business,—between ten and twelve thousand dollars worth. That was on Friday; I followed that up by going to see the director who had written in to us and acquainted him with the facts of the offerings I had made to the cashier. They met at 7.30 on Monday morning, so I had to go out Sunday night. I went to Lancaster and left there the next morning on the 6.40 train, thinking of course I would be the only bond man on the train and that our house and the other one would divide the business. When I boarded the train I saw another salesman sitting there. I said "I guess we are going to the same place, aren't we?" He said, "Yes". This bank is located in a town of a couple of hundred people and there were six other bond men and three adding machine men who were going to call on this institution; think of it, at 7.30 in the morning. We sat around for two and a half hours and by nine o'clock they were ready to hear the adding machine men. At ten o'clock they started to call the bond men and heard every one of the representatives of eight different banking houses. The business was finally divided between ourselves and one other house; we secured $6,000 worth of business and the other house $5,000. Just because an institution is small, it doesn't mean that it is not worth following. This is an easy town to reach and I can stop off between trains and spend an hour there very easily. I have sold that bank practically everything we have brought out in the last two years, if not for cash, on a trade. It is a nice little institution to count on for one or two thousand of everything, and they seem to appreciate the fact that I give them so much attention and always consider them on advance offerings.

When I was talking about not following up the business that you have already gotten, I wanted to bring out the fact that if you do not follow it up some other man will profit by your hard work. I had my lesson by experience. It never pays to forget you have sold a party, because he will be of assistance to you in getting business at some future time. Whenever you are talking to a bank and they say they are not in the market, always ask them whether they have a customer who is in the market for securities or whether they have any customers who have been inquiring about investments. Always ask the cashier or president whether any of their customers are in the market for anything. They will often say, "Yes, So-and-So is in the market", in which case they will give you the address of the prospective customer, and of course you will refer the client to the cashier or president, should he want further information regarding our house or our securities. In cases of this kind, you do not very often make a mistake by offering the bank a commission; tell them also that you are depending on them for some of that class of business. It is not hard to get when it is once started.

In some cases you will find the purchase is not always up to the board to decide. I have another institution to which we have sold a great many bonds, and it took me a long while to find out that the cashier and the president were the whole show. In other words, every time I had a new offering I would ask permission to present the same to their board, which request was usually granted, but never resulted in an order. I eventually found out the best time to get their business was just after the board had adjourned, and that it was necessary to see only the cashier and president, for they always passed on any purchases for the institution, and they did not seem to want their board to have any say as to what they should or should not buy. It seems the president is a controlling factor in the bank, he and his family having a controlling interest in the stock, but this is a fact which it took some time to find out.

I have another very valuable customer who has absolute confidence in our house and purchases everything from us. He also is very influential in the community where he lives and always refers his friends to us when they want advice on investments to us. Only the other day he gave me the name of one of his friends and I took an order from her subject to the approval of her brother whose funds she was investing. This shows the confidence she had in this man. Of course he showed his confidence in us by recommending our bonds.

In a lot of country towns you will find fellows who are not bond buyers, but are talkers. They can tell you the history of everybody in the town, who owns real estate, where he gets his money, how much he is worth, and all information of that kind. That fellow is not worth a rap as a customer, but he gives you a lot of information that is valuable, and he is worth keeping on your list.

You will find it well to study local market conditions in all your towns, for it means many a trade. You will run up against different bonds in different towns and if you know the market on the local issues you can come back at your man right away, with a trade proposition on such local holdings.

The first thing when you start out on the road is to feel that our house is the best and most careful house in the business in the selection of the securities they purchase and recommend to their clients. Confidence in our firm and the securities they give us to sell is absolutely essential, and without such confidence you cannot sell our bonds successfully. This confidence grows and grows, and the longer you are with the house the more confidence you will have.

*CHAPTER XII

THE PERSONAL SIDE OF SELLING

I am going to talk today on what we might call personality in the bond business. You men have listened to a great many important points. You have heard of the history of the development of the bond business, the organization of national banks, circulation, the national bank act has been explained to you, the recent postal savings bank act, the law governing trust company reserves, customs of the street, etc. All of this of course is vital to a bond salesman; it is the foundation stone on which you are going to build your future; there is no doubt about that. These technical details you will have to brush up on from time to time, because you will be asked every day of your lives some point or another that it would be a mistake for you not to know how to answer, and they have been practically all covered in this list we have here; I do not think Mr. Peirce has omitted any of the important things that a bond salesman should have at his fingers' ends, and where you are going to have

*See Introduction.

a big advantage is in having these lectures reported so that you can look over them from time to time. I think every few months you should brush up on these talks; I know I wish I had had this opportunity; at times like the present, when things are so dull, and there is practically no business, it would help lots and be great encouragement to read over these lectures, that one wouldn't find time to read at other times.

I said we were going to talk on the personal side of the business; I mean by this the handling of the man on the other side of the counter. All this information and learning will not do much good unless you are able to make the other man see it, and see it your way. I have never been a salesman for any other kind of a house than a banking house and for no house but ours, so I do not know much about other kinds of business, but I do know that a bond salesman is the highest type of all salesmen, just as the bond business ranks first in the business world; this is beyond any doubt. You are not selling wool, or coal or steel; you are selling credit, and you will find that your customers, you who have been selling merchandise, will take you much more into their confidence, talk to you more as they talk to their lawyer or to the man who is advising them on business matters, and for that reason you have to know how to handle them right from the beginning; if you make a bad start it is pretty hard to "come back".

Selling in Philadelphia as I have done for the past five years, my experiences will of course be on city trade. I think Pennsylvania has been blessed with possibly the two hardest bond cities in the Union, from what I have experienced and from what I have heard, both however from different standpoints,—I mean Pittsburgh and Philadelphia. The Pittsburgher has made his money in a hurry and he is inclined to be more or less speculative. The mine owners and steel operators have had an easier time in Pittsburgh in floating their stock and bond issues than in a good many other large cities.

Philadelphia is just the opposite; it is probably the most conservative of all the cities. The rich men of Philadelphia are mostly from the so-called "old families", old Quaker stock, and they are buying bonds today from the same houses that their great grandfathers bought from. They are hard for that reason to wean away, but there is an obstacle in every city and an obstacle with every customer; so that it is not right to say, I suppose, that one city is any harder than another or that you are up against a harder proposition than the other fellow is, because you can hear tales of woe from everywhere. I have heard men who have been selling bonds in the country among the farmers and in the small towns say that when they came to the city they found a great deal of trouble in their path; they would say that they could not get in long enough to talk to the investor. You will find among the big buyers here in Philadelphia sometimes seven or eight bond men in line waiting to see a customer. If you should see him he can't give you the time that the man in the country can give you; he is a busier man and is bothered more; so your competition in the city is keener than it is in the country; on the other hand, there are probably just as many obstacles to be encountered in the country, as the country men have told you.

In selling banks and insurance companies the first and most important thing in my mind, is to locate the man who is the "boss". There are bond salesmen in Philadelphia today that I know have been trying to sell certain institutions for at least two or three years; they have been calling on one man in the institution all of that time, and he has no more to do with the buying of the bonds than you or I have. With a trust company the best man to start with is the treasurer, because if he is not the actual buyer he often has a great deal to say about the bank purchases. I remember one institution here in Philadelphia where I called on the treasurer for probably three or four months, and by drawing him out by a number of questions I finally discovered he was not the man at all. He was not willing to say that he was not the man, as he wanted me to think that he had as much to do with that institution as anybody else. After one or two leading questions, however, he mentioned one or two names that were connected with the institution and these men he said had something to do with the buying. So I immediately made for them and finally discovered that one of them who was very seldom at the bank did all the buying, and through him I sold probably more bonds than any other salesman has sold since to that institution.

I find that young institutions that are just starting out are really meat for the bond man. You want to get after them in a hurry. As soon as you hear of any new bank that is starting in business learn the names of the officials, find out who is putting up the money, and start some missionary work around among those interested.

I remember a few years ago one of our trust companies just opening up, had a board of directors and officers that knew little or nothing about bonds. I started calling on them but they gave me no encouragement; finally we did get to talking securities, and they said "We won't buy anything here but railroad bonds; that is all we believe in and we think that is the best investment; we have heard so and so". I agreed with them that rails were a first-class investment; I told them that a great many of the banks held such securities. We had sold a great many of them, but at the same time they were also big buyers of public utility bonds. Our interviews often drifted along the line of the different public utility bonds that our house had sold; I mailed them a little data from time to time such as our last piece of literature for instance. The result was that two years after that bank started we sold them a block of fifteen corporation bonds; we have sold them $150,000 corporation bonds since then, as well as a number of "rails", but the pretty part of the story is that they hold no public service issues but ours.

You will often have an official of an institution tell you that there is no use in calling on them; they will try to get rid of you in so many ways. I have heard a number of bond salesmen refer to certain institutions as impossible to do business with, and they would not call there because so and so was on the board. I can only say that it is best to pay no attention at all to any remarks of that kind, because we have sold institutions securities right over the heads of the members of the board of directors. If you know that a bank is in the market for bonds never let them alone, no matter what they tell you.

I recall so vividly the second sale I made in the bond business. One institution in Philadelphia had bid on $50,000 City of Philadelphia bonds; it was printed in the papers and I knew they were unsuccessful bidders and didn't get the bonds. Mr. Peirce said, "There is a bank with $50,000; go after them". The next morning I was in the bank before the president arrived; I greeted him when he came in and he told me in a very gruff way they were not in the market at all. I reminded him of his bid. He said they wanted those city bonds but did not get them, and it was of no use to call, that there was no chance of doing any business; he was very gruff and very disagreeable. I had only been in the business about four months, and it may be some encouragement to you to know that it took me over four months to make my second sale in the business. I came back and reported to the office. Mr. Peirce said, "They have the money; they are going to buy somewhere". I had found out he hadn't bought city bonds anywhere else, and that he wouldn't pay the price he would have to pay to get them. At the time we were able to offer him City of Altoona 4's, a very good Pennsylvania issue that would net him the return that he wanted, the return he would have secured had he gotten the City of Philadelphia bonds he bid on.

Early the next day I was down at the bank again before he came in; you must always have some pretty good excuse to give for coming back so soon; I had gotten some further data on this issue which I brought down and hoped that he would look over it; he wouldn't even take the paper from me; he said there was nothing to it, that he didn't want any bonds. I said, "Won't you take this article and when you have a spare moment look over it?". He threw it down on his desk. I wanted to sit down but I was afraid to. I came back and reported my second interview. Mr. Peirce said, "Do you want to go back this afternoon or tomorrow morning?". I didn't want to go back at all. He said, "You have to go back". (This is all true, you will run across cases just like this.) I wouldn't have to be told to go back now.

The third day I went back again in the afternoon. I thought probably after dinner my friend the president might feel a little better. He was reading a letter. When he saw who it was he started to finish his letter. I simply sat there. After a while he said, "Didn't I tell you not to come up here again?". I said, "I am sorry, but I thought you would change your mind and read this data we have given you." I asked him if he didn't think the bonds were cheap; I tried to draw him out, but when I wanted to press him further he drew back into his shell again, and I had to come back to the office, with the result that I was chased back again the next morning. This time I waited outside on the steps and greeted old Mr. Grouch coming up. I took my hat off and put out my arm to shake hands—you can imagine how much he shook hands with me; I followed him right into the bank and waited until he got his hat and coat off. I said, "Mr. So-and-So, this is to be my last interview with you; these bonds are practically sold and if you want them, now is the time, and if you do not, I won't come back again until we have something else; these bonds will be gone and I know I haven't anything else now that can touch them for quality and yield, and I may not have anything for some months; there is nothing on the street that can compare with them, and if you want them you had better take them. This is final". He looked at me and said, "How much did you say they were"? I told him. He said, "How many have you"? I told him. He said "I will take them". Well, I nearly dropped dead. I took out a slip and entered the amount so that he could sign the order he was giving; my instructions were to get orders signed; he looked at me. I said "I want you to sign this". He said, 'I never sign those things". I said, "It is a rule of our house that orders have to be signed". So he signed it.

Well, to make a long story short, within three months that fellow was digging down into his desk every time I came up there to show me something he had written in his boyhood days, some speeches he had made at graduation exercises or something of that kind. I couldn't get away from him, and when I was leaving he would walk out to the door with me and shake hands with me with a fond farewell. If he happened to be going out he would say, "Wait, I will go down in the car with you". Now here was a man I myself would have let alone if I hadn't been urged by an insistent manager to go after him, and I think nineteen out of twenty bond men would have been like myself. But they are the men you will sell bonds to and make the best friends of. Haunt a man when you know he has money. Mr. Peirce more than I realized that he had the money and that somebody was bound to get it. Somebody had to get it and the man that could stick the longest was going to get it, and in this case he did.

Among your trust companies never forget that they have funds to invest from time to time for reserve purposes. They may not be buying bonds for their general investment account; they may be putting their money into mortgages or putting it out in building operations, but if they are going ahead, and the young institutions particularly are going to be forging ahead, they must invest their reserve, and so many bond men do not know that a bank has money for reserve purposes until an official calls up the house and says, "What have you in the way of municipals"? You will lose quite a little business if you don't watch this. Make it a point to get the names of the members of the finance committee or directors. It is easy to look them up in the small towns; you can find out in a very short time who are the important ones; you will often find that a couple of the directors buy bonds themselves, and at the same time you are finding out who are the men at those board meetings that are influential when it comes to buying bonds. You can often make a good point for yourself by being close to them when they come to buy bonds for the institution.

The other day a banker telephoned in, the treasurer of an institution that we sell, and said "I want to buy a couple of bonds for one of the members of our board of directors". We confirmed the sale. He said, "Just send the bonds out to the bank". I knew the official pretty well, but I hadn't sold any of the directors before; I didn't know there were any bond buyers on the board. He gave me this one's name. Where you can, when a sale is made that way through the bank, do your best to find out the name of the man that the bonds are going to. As a rule the official will tell you; he will certainly tell you after you are close to him.

I think an experience I had with one of the big companies here will help you on the point of finding out who the right man in the institution is. The company was just forming; the president was well known in Philadelphia; they had temporary offices in one of our office buildings and the president was there every day. I called about five times in a week, but could never get beyond his private secretary. You want to cultivate the private secretary. This one was a very agreeable girl and after about the fifth interview I said, "Would you mind telling me whether Mr. So-and-So is ever going to see me"? She said "What do you want to see him about"? I said "I want to see him about buying securities for this new institution; they have a good bit of capital to invest and I would like to do some of the investing". She said "You are barking up the wrong tree". If I hadn't gone at her in that way I would probably still be chasing up this one particular individual, who was the only well known man in connection with the company, and I would probably never have gotten him; or he might have put me off by saying, "We are not buying just now".

The man who is not doing the buying often won't give the name of the man who is; he knows he is bothered to death. In this case the girl was very friendly and told me to go down to a grocer a few squares away; she told me that he was going to have charge of the bond buying and that he would very likely be the treasurer. (Every day this girl turned me down I had made it a point to hang around and engaged her in conversation, with the result that I finally got this valuable information). I went down to see the grocer. He said "Who told you to come here"? I said "I want to sell you for the institution, and thought probably you wanted to buy some bonds yourself". I didn't imagine he was a bond buyer, but it doesn't hurt to flatter a man like that. He said, "What is your story"? I knew they were investing their capital and that it would be in municipal bonds. I had a lot of papers and data and sat down and started to talk to him. He went on attending to his grocery business, and I never let up except when he was talking on the 'phone. He finally turned to me and said "What you are telling me is going in one ear and out the other; go back and write me about that".

I wrote him that day. The next day I wrote him again. I called again and asked him if he had read my letters; he said he had but they were not interested. I started something else; he told me the same thing "That is going in one ear and out the other; go back and write it." I kept that up for about five interviews. I finally asked him if he had any of those letters. He said, "I have a lot of stuff piled up here". As a rule the big investors will allow a lot of papers to accumulate and if you are not careful the whole business goes in the scrap basket. He said "You are not as obnoxious as some of these fellows, are you"? I said "I try not to be obnoxious". He was crude, and I was standing for it; I have stood for worse things since. Finally he brought some other fellow's offering out. He asked me if I knew anything about it. I thought "Well, that fellow's bonds have made a dent, and I think I ought to be able to do the same with some of our offerings". I compared the offerings with some offerings we had talked about, and the result was that he signed an order that afternoon for $25,000 of bonds.

We then sold him all told probably $125,000 bonds and I have sold him personally the only bonds he has ever bought in his life. There was the man who said "What you are telling me is going in one ear and out the other". I knew he had money; that was my cue; don't let up on the man with cash. Be as nice and as gracious as you can, but don't be easy. If they won't talk about bonds, talk about something else. More bond men fall by the wayside—and I would like to have a dollar for every man that falls by the wayside in a year—more bond men fall by the wayside because they haven't the necessary push. When a buyer has the money, stick. You will usually get some of it, you are bound to get some of it. If you know he has it, keep after him every day. Of course, once in a while you will lose out.

I had an experience this week. A man had $5,000 to invest that I have been after for a month; he has been a month looking around. I offered him everything. We have sold him several times. One day late this week I learned he had invested his $5,000 with somebody else; I clung to him as long as I could, but he wanted a certain kind of bond and he had his ideas along certain lines, and we were not able to suit him at the time, and he came across an offering that he would have taken from anybody.

You will run across the same sort of obstacles in your path in handling the private individuals as you will in handling banks and institutions, and there from my own experience too I can tell you that if the private investor has cash in bank to invest, stick to him no matter what he tells you or no matter what another bond man, who knows you are calling on him, may tell you. A buyer will say "I am sorry, but I have a nephew or son or brother or uncle or some relation in the business" or "I have a firm I have been doing business with for years and years." That obstacle should not be too big for you to surmount. If he has money to invest, stick close to him. The best example I have had of a case of that kind was that of a large private investor whose son, just out of college, was in the bond business. Another firm had taken this boy in knowing the father was a bond buyer and they knew he had bought bonds from us. They thought "Here is a chance to get that man's business from the other firms he does business with". I knew the son was in the business, but I kept after the father just the same. He said "I buy bonds from so and so, because my son is in the business, but what have you"? I sold him ten corporation bonds that day. Some time after that I called him up and his son, who was not at work that morning, answered the telephone. He said, "Who is this?" I heard his father in the room; I could hear him through the telephone asking who it was that wanted him. I said "This is Mr. ———". He said "Oh, yes, I am sorry, but father is out of the market entirely", and hung up. That afternoon this investor came in to apologize to me for his son's rudeness in hanging up the telephone. He said he was not in the market, but later on, in about thirty or sixty days, he would be and would give me a chance. I think he bought twenty or twenty-five thousand bonds from us. Now his son is not in the business any more. What a mistake it would have been if I had not kept after him!

I claim that the only time that it is really impossible to get a man's money is when he hasn't any money to get, or anything you can trade out. Of course, there are certain obstacles you can't surmount, but it is best to go along on the assumption that you can surmount them all. Push right ahead. If it is only for five or ten bonds a year, that is something. Ask them if they know anybody in the market; get them to give you some names; ask them if they have a brother or relative that buys bonds. I have done that many a time and found out that another member of a family did some buying. I located a brother of an investor not long ago; I never knew he did any bond buying at all. He buys possibly $100,000 in different classes of securities every year; I thought his brother was the one who did all the business.

There are big buyers and little buyers. I think the little ones are of course well worth following. They will be your bread and butter not only in your early years but as long as you are in the bond business. Therefore keep right after the man who has one or two thousand dollars at a time, even though he may have money to invest only every eighteen months or two years; keep after him, but in doing so, do not forget to nurse the big men, the ones that look impossible. I can't lay too much stress on that. These are hard to secure, and it may take three years, four years, or five years, but when you have one of them he is worth all the effort you have expended to get him. Undoubtedly the rich man, who buys fifty or a hundred at a time, is hard to get; you will often leave his office and say "I can't do anything with that man; I am simply wasting time". I have often been tempted to cancel a name, but the fact that he was buying bonds all the time made it impossible for me to abandon him; I couldn't forget that another fellow was selling him big blocks of bonds. Some of these men I am selling now; some I haven't made a bit of impression on. I have often asked myself, and I have had younger bond men ask me how I finally landed a certain big buyer. I have asked that question over and over again from bond men who wanted to talk. I very seldom volunteer any information myself, but I can't see that there is any harm in listening to the other fellow if he wants you to.

One man in particular told me four years ago that he had certain friends that he did business with and that there wasn't a chance of my getting any business from him. He was a conservative Philadelphian, and didn't know much about bonds; I could see that from the first talk with him. I knew there was no use in my offering him attractive opportunities because he would let them slip by and one of his friends would come in right after me and offer a security that was much poorer or the yield not as attractive, and yet that fellow would get his business. I knew it was of no use for me to always be hammering bonds at this man. I therefore started on tactics that I had carefully thought out. Around the beginning of the year I would drop in and wish him a Happy New Year; I would talk anything but bonds. Along in the spring I dropped in and referred to his summer plans; he said he was going abroad. I wanted to know if there wasn't something I could do for him while he was abroad, anything he wanted attended to or any work he would like to have done. He got to be more or less agreeable, rather smiled at my presumption and said "I am sorry, but there is nothing at all". I told him I hoped he would have a very good time and that I would see him when he came back. When he came back we had just gotten up some sort of a brochure. I asked him if he would mind reading it and give me his opinion on it; I thought probably there were some points on it that weren't just as strong as they might be. Well, less than a year ago that man finally gave me an order for ten bonds. I have sold him now—I have been about five years working on him—I have sold him over a hundred thousand dollars of bonds, and the chances are now that he tells other young salesmen that he has certain men to do business with, and I am now one of those men. A plan like this often works out with the big buyers.

I remember an individual who was very disagreeable; he used to jolly a great deal and want to fool and put me off. He was going away, and I didn't want to be put off. He said, "I am going out West in a private car; I have just invested all my money and am going away; it is a wonder some of you fellows wouldn't decorate my car with flowers and send some candy to the ladies that are going". I said "I am your man". He said "Send them along". I said "When does your train go"? He said "No, you don't". He saw that I meant it and said "I will call you up". I said, "Don't forget". The next day I called up to find if he was there, and I found he had gone. I saw one of the men in his office a couple of weeks after and asked him when Mr. So-and-So was going to return. The clerk, who had made a calendar note of it, said he would be back such and such a day the following week. I said "If I send down a dozen American Beauty roses will you promise not to tell who sent them, and put them on his desk"? He said "Surely". The day he arrived home the 'phone rang and I said, "Hello". He said "Is that you"? I said, "Yes". He said "This is me". He was getting very sociable. I said "Oh, yes, I am glad you are back". He said "What did you mean by sending those flowers down here"? I said "I don't know anything about any flowers". He said "If you don't take the credit, I shall think my stenographer put them there". He said, "Come down and see me". I went down to see him and he gave me an order for $10,000, the first business I had done with him. Now, I don't advise bond men decorating their customers' desks with roses or lilies of the valley, but there are lots of opportunities of this character that come up which if you grasp will redound to your advantage every time. I never did that before and have never done just the same thing since. I had that one opportunity to get next to that fellow and I took advantage of it, and now he is a good friend of mine; he knows what our issues will do.

I always tell these hard customers "If you will only give us a chance, we will show you what a firm like ours can do for you". Tell them to give you one order, five or ten bonds only; if he is a big man tell him to take twenty-five. Never let a chance to get closer to these investors get by you. There are opportunities offered every day. I have no doubt that I miss hundreds of opportunities in a year; if I was just a little wider awake to conditions to take advantage of them I could probably get closer to more of these big men. The money is there and somebody has to get it. They are going to buy bonds with it. You have a hundred different issues on your list of all kinds of conservative securities. You can suit them one way or another. It is the man behind the issue, the man who is selling the issue that is making the sale. There is certainly no business where personality counts so much as it does in the bond business.

So keep hard after the big buyers. They are the ones you are the most apt to give up. The road looks blue along the line of the big investor, but it is worth all the work you do. I could go over my list of customers and if I were to take you around and introduce you to each one of them you would find that the ones that looked the hardest to you were my best customers.

There is a trust company that I call on that has a very close fisted president. This institution ranks high among the trust companies of Philadelphia in every way, the personnel of its board, the list of its investments and the increase in the number of depositors every year, and yet the president practically throws you out of the bank if you go up to see him. I know any number of bond men that won't go near the bank. They say "He can buy from somebody else; I am tempted to hit him". Whenever I go into his office I try to be just as courteous as I can. I never dared sit down in his office; I think he would have lifted me up and put me out. He really is the most disagreeable man I ever had anything to do with. His right bower, the treasurer, is almost as disagreeable as the president. He had started in as office boy and had risen, and he is following in the footsteps of the old man. I was up against it hard. I used to see certain bond men go in and shake hands, and it used to make me sore. Some of them I felt didn't know any more about the business than I did. Finally I said to the president, "Now, look here; I don't mind as far as I personally am concerned being heeded as little as you heed me, but I do not think it is a compliment to one of the best banking houses in Philadelphia to not give them more consideration than you do. They have opportunities that lots of other houses don't have; they have issues of a character that lots of other houses don't have". I said "It is all right as far as I personally am concerned; I am not talking about myself, but you should at least give some consideration to a house as good as ours is". I was getting pretty hot under the collar. I had thought this little speech all out coming down in the car and I could hardly wait until I got to the bank to get it off.

He looked at me and said "Well, is that the way you feel about it"? I said "That is the truth of the whole matter; I have been feeling and thinking that way about it for some time". I said "Now, we have in stock a block of Southern Pacific Refunding 4's that should interest you. We have fifty bonds on hand at such and such a price. We can sell you at the market price, saving you the commission you would have to pay on the board. Now, please give this offering serious consideration". I came back to the office and found he had called up, had asked about these bonds and bought forty-five (five had been sold in the meantime) and the next time I called to see him he was mad because the five had been sold and he could not get the whole fifty. That man is a crab and he always will be a crab, but so long as I am getting business from him he can be as crabbed as he likes. That is what you are up against. These men who have made their own way, who have started out with nothing and have risen to be bond buyers by their own merit know what it is to earn a living; they know what the fight for money is, and they are the hardest ones to get to part with it, but the best in the world when you get them started. A lot of bond men don't realize that. They don't seem to think that if they don't get this business somebody else is going to get it. Don't give up an investor who has a lot of money in bank to invest in bonds because he says "No, I don't want them; I am not interested" because some salesman is going to come along and get the money. It isn't a question of the quality of bonds, because you must remember you have every kind of conservative security that you could possibly have, unless a man wants to buy some mining stock or wild cat investment, and of course that is a different proposition.

I find a great many bond men are very much afraid to say the three little words "I don't know". I think this is particularly true of the green man. He is a little ashamed and thinks he ought to know. After several years you will find out how many things there are you don't know. If an investor begins to question you about some bond you are not up on, say "I can't answer that; I will have to look that up; I will let you know". And be sure you do let him know. Write him a letter about it. You have every source of information right here, look it up and write him. Remember that—don't be afraid to say "I don't know".

When times are dull you can do just as good work by getting out among the investors and the people that you know buy bonds and getting better acquainted with them. Go in and talk to them about anything that they are interested in. Learn their hobby. For instance, one old fellow will be daffy about his grandchildren; talk to him about his grandchildren. If another is a baseball crank talk to him about baseball. Talk to them about anything at all while you know they are not investing; the other fellow isn't going to get the business and you are going to get closer to them against that time when they are again in the market. I met a well known broker on the street the other day; I said, "How are things"? He said "Don't you know"? I said "Are you selling any bonds"? He said "I called on three men yesterday; two laughed and the other got mad". I think if I went to see a number of my customers in this market and started to talk to them about bonds they would laugh at me. At the same time I feel I can do a great deal of good work by dropping in on them and not mentioning a word about bonds, simply talking about something else, and getting into an interesting conversation with them. It is the man you get to know intimately, not too intimately, but intimately in a business way, that you are going to get your business from. When he is buying he is going to buy of you; you are the fellow he is going to call up; he will think of you when you are not thinking of him; and don't make him feel every time you go in his office "I have got to get rid of that fellow the easiest way I can". It is much better if he will give you a slap on the back and say sit down, and talk about some other subject. Get around when business is bad.

I said "Don't get too intimate". I think this is more general among a certain class of salesmen than among bond salesmen, although a good many bond salesmen have a tendency to want to ingratiate themselves too much with the investor; they want to get too friendly with him, get to where they can call him Tom, Dick or Harry; they want to be personal friends. That is bad, generally speaking. I had a man today say to me "I can't count on my friends for anything". He said "I have to go outside to get business; I can't count on my friends". You know that as well as I do. Your friends aren't the ones you are going to do business with. This rule works both ways. It is just as difficult to do business with customers if you make intimate friends of them; you will be on the wrong basis with them, and they will be sooner or later buying bonds from the fellow that doesn't call them Tom, Dick or Harry. I think we could almost make it a rule that a bond man should not in any case get too close to the man he is doing business with, that is too intimate.

Sometimes a man will tell you that he buys mortgages or you will be told that he is a mortgage buyer, and that there is no good of calling on him to sell bonds. Sometimes he buys mortgages because he does not know what bonds are. It is up to the bond salesman to show the investor that a bond is secured by a mortgage on property in the same manner that a real estate mortgage is. Show him that it is a great deal better for him to have a piece of a valuable mortgage, which a bond is, on a property that is large and whose earnings come from many different sources, than to have a mortgage on a house. Take for instance in a steam railroad issue or in an electric railway and power issue, there is a great deal more than franchise and the rails. There is valuable private right of way, valuable real estate and so on. It would have to be a great disaster that would affect the value of a property secured as are the high grade steam railroad issues, whereas it sometimes takes very little in the case of a mortgage on a piece of real estate to affect its value. I heard of a case this week. An institution through one of its directors had been carrying along a residence property for some years in Omaha; it had been depreciating in value every year, until now it had gotten to be in one of the poorest localities of the city. The other day he told me he didn't know what had become of it until a few days after the recent tornado one of their representatives had written him that he was sorry but their house had been carried away by the high winds. A great many pros and cons can be brought into an argument of this kind. There are pictures you can paint in a general way showing these customers that a bond is nothing more nor less than a mortgage on a great many properties. Another argument for the man who buys mortgages is to turn to the tables showing the list of investments of the savings banks, the national banks and the institutions of the city or country town that you are working. This will show a great percentage of bonds owned over real estate mortgages. There is no excuse for not being able to get a buyer away from mortgages in a great many cases.

Another point; don't tell the investor too much. The average investor doesn't know and never will know as much about investments as the average bond man; they don't know the inside workings and they are not familiar with the technical questions and points that are brought up from time to time, and if you try to tell them too much you will get them all worked up about things they have no need to think of. Cram in as much knowledge as you can, but keep that for yourself. Paint pictures. More sales have been made by a salesman painting a good picture around the issue that he wanted to sell than in any other way. The fewer details you tell the investor the more chance you have of making a sale.

There never was an ideal bond, you know; you cannot expect a perfect bond. There is always something, some argument, a crank will bring forward. I think if I were to offer some of my customers U. S. Government bonds on a 5% basis they would find some fault; they would probably think we were going to war with Japan or trump up some excuse to get rid of me. Always give them your strong points, and make the picture as pretty as you can. Of course there are questions which your customers will ask you that you should know and should be in a position to answer.

Loyalty to the house above all. The greatest compliment that an investor ever pays me is when he turns around in his chair and says "You certainly stick up for your firm, don't you"? I believe in our firm; I believe in the manner in which things are run around here. I have experienced many things which have proved to me more and more just what kind of a house it is that I am working for. Our firm have been fair and square with their customers, with their men, and with the institutions that buy their bonds, and I am proud to work for them and to have people know it.

CHAPTER XIII

ADVERTISING AND ADVERTISING DEVICES

Unquestionably the best public vehicle for bond advertising is the daily papers. Special editions, trade papers, programmes and professional and religious periodicals are almost valueless. An advertisement to pull must first catch the eye, then lead the reader on through its entire text and finally create in him a desire for something expressed by it. For this reason standing cards are less effective than copy that is changed regularly. In fact they have little value at all for general publicity for an habitual reader becomes so used to seeing them that they do not even challenge his attention. Copy that is attractively set up and at the same time may be read with the least visual effort is better than more space devoted to a mass of black ink. A hodgepodge of type and the featuring of a multiplicity of points are not only bad taste, but they spoil the appearance of the advertisement and cheapen it considerably. Type that is fancy but hard to read loses part of its value. The wording should be brief and to the point; otherwise the attention will wander and be lost. There is ample room for taste and individuality in the composition of a good advertisement.

Blind ads, that is ones that conceal the primary facts of the article offered, pull better than open ones, and ads that offer to give something away pull best of all for the instinct to get something for nothing is ever present. Spasmodic displays do not have the same effect as the persistent and frequently recurring use of smaller space. Some years ago the writer was criticised as being unconventional by some members of the old school on account of using live copy and changing it periodically instead of confining himself to the established business card, but apparently by now nearly all of the old school must have passed away or else become rejuvenated for the latter style of advertisement is seldom used now except as a rate holder.

Does advertising pay? Yes and no. Long lists of securities owned and special display offerings of new issues produce few inquiries. In fact, it is doubtful if on the average they bring in enough business to pay for their cost, but if a house maintains an active selling force the general publicity and the atmosphere created are worth a great deal. Otherwise advertising is only of value for the inquiries it produces, for it does not directly sell bonds, and these inquiries yield no return unless followed up. Inquiries cost anywhere from two to twenty dollars apiece. On the basis of traceable results they seldom pay for themselves in the first instance, but must be credited with subsequent business in order to compensate for their original cost.

For this reason periodicals of a national character are hardly a profitable medium for financial advertising unless the advertiser has an organization that is more than local in scope, and is sufficiently broad in field of operation to permit personal attention by salesmen to the inquiries as they are received. Magazine inquiries cost anywhere from twenty to fifty dollars each, and are a pretty expensive luxury unless their full benefit is extracted from them.

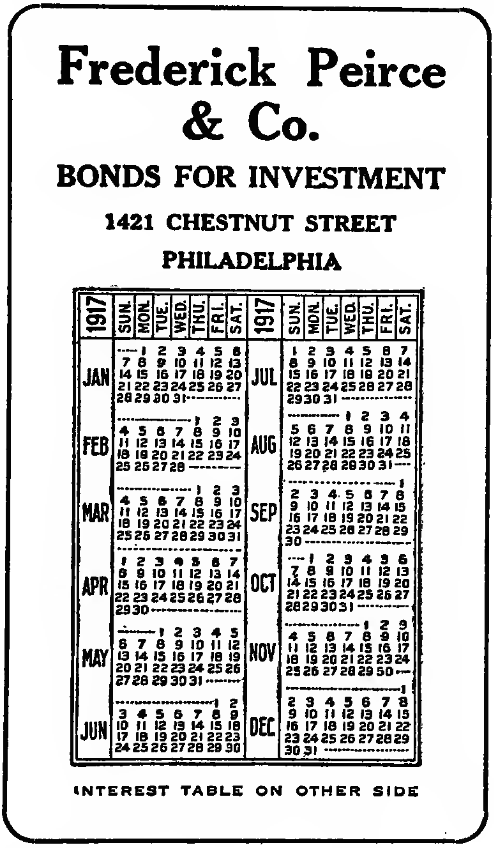
An inquiry is a good deal like a pig in a poke in that its real value cannot be determined from the way it sounds. The one that reads best may be actuated only by curiosity, while another that appears trivial may contain latent possibilities out of the ordinary. For this reason more than usual care is required to handle such leads properly. An incapable salesman may not get anything out of them while another man may find them productive of much business. The prospect who writes in for information is generally approachable but nevertheless on the defensive on account of the house being a stranger to him, so that confidence has first to be established. Frequently no transaction results the first time, but if the lead appears to be a good one and is carefully cultivated, the salesman may be rewarded with an order the next time the prospect is in funds. If one salesman falls down on an inquiry and gets nothing out of it, his work can be checked by turning it over to a second man for handling, particularly if the first effort fails to locate the prospect as sometimes happens. The law of averages holds good here as in every other phase of the business, and out of every so many leads, regardless of their nature, it is pretty sure that a certain percentage will produce enough results to more than compensate for the time and attention required to handle all of them properly.

General publicity is of great value in that it paves the way for personal salesmanship. When a salesman calls on a prospect for the first time the ice is broken more readily if the latter says "Oh yes, I know your house", even though as a matter of fact he probably does not know a thing about it except that its name is familiar to him through an impression that is stamped upon his brain. A curious illustration of this occurred one time and will bear repeating. A salesman called upon a new prospect in response to an inquiry and found him a cripple bedridden for years. A sale was consummated, and then the salesman said "If you will pardon me, I am curious to know what induced you to write to us". The customer replied "Well it was this way. I had a little money to invest and didn't know what to do with it so by chance held up the financial page of the morning paper, and asked the nurse here what house she would write to of those that advertised. She hesitated a moment and then said 'Why to that one, pointing to your advertisement.' This confirmed my own impression and so I wrote to you". Thus was the call of dignified copy and neat composition answered.

Better than any kind of periodical or newspaper advertising is direct appeal by mail. This may be by personal communications, form letters, printed flyers or circulars. Of these, individual typewritten letters yield the largest percentage of results but are not susceptible of wholesale application simply because enough bonds cannot be sold by mail to pay for the cost of maintaining a force of men competent to conduct a correspondence department that is capable of giving intelligent and individual written advice to thousands of different people. Form letters are the best substitute but these quickly become stereotyped in expression unless great care is exercised to give them originality and variety. From the standpoint of quantity rather than quality printed circulars and flyers take the lead. These all are superior to display advertising, for both results and general publicity but even here the returns are usually disappointing for the replies seldom equal one half of one per cent. of the number of pieces mailed. Direct appeal is of value simply to lay the foundation for the salesmen, but then there is always the chance of getting an order that will more than pay for the cost of the entire advertising campaign as happened recently when the writer made a sale by circular to a customer whom he had never seen or dealt with before, and the profit on this one transaction was calculated in four figures. Of course, things of this kind do not happen very often but they are the bait that leads one on to advertising extravagances.

To secure the greatest returns in proportion to the expenditure, direct appeal should reach the greatest number of people at the smaller cost per piece. The so-called novelties have little advertising value in the bond business. It is doubtful if an inkstand or a cigar lighter, or a blotter ever produced an order, whether it cost fifty cents or four dollars. A souvenir should be relevant to the business. Furthermore it should be so inexpensive that it can be distributed in large quantities. Some houses make a practice of giving to their best customers articles that are comparatively expensive as advertising things go. As a business proposition, if a man is already a good customer, will he produce anything more in the way of orders if given something he probably doesn't need, at a cost of a dollar or two to the donor? Isn't it more logical to go after those who are not yet customers, but who aggregate many times the number who are?

The writer has always gone on the theory that instead of giving away say five hundred articles at a cost of one dollar each, to people who are already customers it is better to distribute ten thousand at a cost of five cents each to the people whose patronage is desired as well as to those already on the books. This theory was put into practice some years ago and has since been consistently followed in the distribution of a celluloid Calendar and Bond



Interest Table which he originated and of which a copy is here given. Before this was devised, every interest table with which he was familiar, consisted of at least six pages, and was convenient neither for reference nor to

BOND INTEREST TABLE

Exclude day of delivery and to the interest for the full month or months, add the interest for the remaining days. Calculate 30 days to the month and 360 days to the year.

INTEREST ON $1000 FROM 1 DAY TO 5 MONTHS

Days	3½%	4%	4½%	5%	6%	7%
1	$0.0972	$0.1111	$0.125	$0.1389	$0.1667	$0.1944
2	0.1944	0.2222	0.250	0.2778	0.3333	0.3889
3	0.2916	0.3333	0.375	0.4167	0.5000	0.5833
4	0.3889	0.4444	0.500	0.5556	0.6667	0.7778
5	0.4861	0.5555	0.625	0.6944	0.8333	0.9722
6	0.5833	0.6667	0.750	0.8333	1.0000	1.1667
7	0.6805	0.7778	0.875	0.9722	1.1667	1.3611
8	0.7778	0.8889	1.000	1.1111	1.3333	1.5555
9	0.8750	1.0000	1.125	1.2500	1.5000	1.7500
10	0.9722	1.1111	1.250	1.3889	1.6667	1.9444
11	1.0694	1.2222	1.375	1.5278	1.8333	2.1389
12	1.1667	1.3333	1.500	1.6667	2.0000	2.3333
13	1.2639	1.4444	1.625	1.8055	2.1667	2.5278
14	1.3611	1.5555	1.750	1.9444	2.3333	2.7222
15	1.4583	1.6667	1.875	2.0833	2.5000	2.9167
16	1.5555	1.7778	2.000	2.2222	2.6667	3.1111
17	1.6528	1.8889	2.125	2.3611	2.8333	3.3055
18	1.7500	2.0000	2.250	2.5000	3.0000	3.5000
19	1.8472	2.1111	2.375	2.6389	3.1667	3.6944
20	1.9444	2.2222	2.500	2.7778	3.3333	3.8889
21	2.0417	2.3333	2.625	2.9167	3.5000	4.0833
22	2.1389	2.4444	2.750	3.0555	3.6667	4.2778
23	2.2361	2.5555	2.875	3.1944	3.8333	4.4722
24	2.3333	2.6667	3.000	3.3333	4.0000	4.6667
25	2.4305	2.7778	3.125	3.4722	4.1667	4.8611
26	2.5278	2.8889	3.250	3.6111	4.3333	5.0555
27	2.6250	3.0000	3.375	3.7500	4.5000	5.2500
28	2.7222	3.1111	3.500	3.8889	4.6667	5.4444
29	2.8194	3.2222	3.625	4.0278	4.8333	5.6389
30	2.9167	3.3333	3.750	4.1667	5.0000	5.8333
1 Mo	2.9167	3.3333	3.750	4.1667	5.0000	5.8333
2 Mos	5.8333	6.6667	7.500	8.3333	10.0000	11.6667
3 "	8.7500	10.0000	11.250	12.5000	15.0000	17.5000
4 "	11.6667	13.3333	15.000	16.6667	20.0000	23.3333
5 "	14.5833	16.6667	18.750	20.8333	25.0000	29.1667

carry. This souvenir is pertinent to the business, it costs about one and one-half cents per copy and accompanied by a return post card, is productive of much valuable information. The table, the return card, the container envelope, and the stamped envelope enclosing them cost all told about three and one half cents per set. Notwithstanding the very nominal cost, this annual souvenir is the most popular financial advertising dodge ever originated by the writer, and it takes just as well today as it did ten years ago. In fact it is so popular that it is copied by competing houses, notwithstanding every effort upon the part of its originator to prevent it.

Another case will serve to further illustrate the point. Some time ago the writer wanted to test out a large list of new names to find which were bondbuyers. He therefore wrote a little booklet of financial epigrams under the caption "Fifty Financial Facts". (See Chapter XIV.) This consisted of twelve pages and cover. The printer was instructed that it should not cost over one and one-half cents per copy and together with a long return card and a Government No. 8 stamped one-cent envelope should weigh less than one ounce. The specifications were met, the entire cost was just three cents per copy including the card, envelope and postage, and some fifty thousand booklets were mailed out with excellent results in the way both of the desired checking and of general publicity.

More or less pertinent to the topics discussed in this chapter is the subject of a "follow up system". The writer has been asked repeatedly what system he used to follow up the work of the salesmen. His reply always was that he had never been able to devise a satisfactory system and had never found any one who had done so. While every well organized bond firm has one or more methods of trying to keep in touch with its customers and prospects, there is no substitute for personal contact. The salesman must follow up the customer, and the office must follow up the salesman. No one house can get all the business, or there would be only one house in business and such a condition never has and never will exist.

CHAPTER XIV

FIFTY FINANCIAL FACTS

In 1915 the writer prepared, under the above caption, a booklet "For the Inquiring Investor". The purpose and use of this were outlined in the previous chapter (XIII), and here it may not be amiss to give the text, which except for the omission of a graphic chart of investments, is as follows:

FOREWORD

COMMENT has been made that the usual financial presentation is understandable only to the relatively small number of people who make a study of scientific investment; and that banking houses should appeal to the general public or the great body of investors, in direct and simple language, free from technical expressions. It has, therefore, occurred to the writer that the exposition in clear, concise epigram, of some of the salient features of successful investing, would prove of service to those who are uncertain which way to turn, and are fearful of making a misstep.

This pamphlet is consequently two-fold in purpose:—(1) to present in crystallized form some homely philosophy, familiar to all, but too frequently forgotten when parting with one's money; and (2) to explain in untechnical language some of the more important technicalities of bond buying.

The thoughts herein expressed are the result of some years of very practical experience in the analysis and sale of securities and particularly in the study of thousands of cases of investing—successful and unsuccessful—that have come to the writer's attention.

May these epigrams bring to a focus some of the more important truths expounded in detail in that vast store of financial literature which is within the reach of everyone but seldom read by the man who works hard to earn his money and yet does not take the time to study how to conserve it.

FIFTY FINANCIAL FACTS

1

Know your banker

For he who puts his faith in a dependable banker need fear no rainy day.

2

As the oak grows from the acorn, so the dollar saved is the seed of the thousand dollar bond

For the real bond buyers of the Nation are the thrifty rather than the rich.

3

And no sum is too small to require good advice

For the small buyer of to-day is the large buyer of to-morrow.

4

Put not your trust in him who promises both safety and large profit

For no dollar can do two kinds of work at once.

5

A safe first mortgage by any other name would be as good and a bad security is not bettered by a good title

For bonds, like men, are valued by character, not by name.

6

The shrewd man does not put all his profits back into his own business

For in times of stress an anchor to windward may save the ship.

7

Beware of any security whose safety depends upon good management alone

For it is human to err and the personal equation has no property value.

8

The home investment is frequently a false idol

For while a prophet is not without honor save in his own country, wealth goes by contraries, and familiarity invites overvaluation.

9

Likewise he is foolish who invests too large a part of his savings in one community

For the fall of even a strong basket may break all the eggs in it, and good baskets are more abundant than good eggs.

10

The individual adviser is usually an egoist

For he advances his own theory of what is.

11

While the investment house is a composite altruist

For it employs the experience and judgment of the crystallized organization and the ego is subordinated to fact.

12

No one man possesses requisite knowledge and experience to pass upon all the features of a large financial transaction

For the proper protection of the investor requires the co-operation of banker, lawyer, engineer, accountant and business expert.

13

Consequently he who would invest with certainty should seek those who are competent to advise him

For the safety of a structure is not determined from the man who photographs it when completed, but from those who pass upon the materials and workmanship that go into it.

14

He, who, on his own responsibility, takes a real estate mortgage in preference to a bond flatters his own judgment

For he assumes a business risk in order to match his individual opinion against the combined knowledge and experience of a staff of experts.

15

A dollar safely invested is worth more than ten thousand that have been lost

For in financial matters experience is a teacher whose lessons are not worth their cost.

16

The intrinsic worth of a security is of more importance than the color of its ink

For some bonds are donkeys in lions' skins, while others that do not put on such a bold front have the backbone that endures.

17

Each generation has its Mississippi Bubble

For man loves the spectacular, and the lure of gold dims the oft-learned lessons of experience.

18

But those who are conservative are not attracted by false prophets

For the reliable banking house is like unto the ship that has weathered many a storm and carried its passengers to safety.

19

Buy not a guarantee but look to the intrinsic worth of a security

For the strong man needs no crutches, and the lame man, even with the best of crutches, is a poor traveling companion.

20

Be not fooled by the house that agrees to "buy back at the price paid"

For even as King Canute was powerless to stem the tide, the "buy back" houses are sooner or later swamped by the flood of their own securities, and the agreements to buy back are washed away in the deluge.

21

A safe house does not use unsafe methods, and an organization that is unsafe in one thing is usually unsafe in others

For when one weak link is visible in a chain, others may be concealed and the banking house to be safe as a whole must be safe in all its parts.

22

Rely on the house that makes an honest and real market for its securities

For when bonds are properly placed, the law of supply and demand, which governs all prices, tends under normal conditions to maintain its equilibrium.

23

Listing a bond does not in itself create a ready market

For there must be a buyer for every seller and a seller for every buyer.

24

Far more important than listing, is it to have a security well distributed in the beginning

For listing merely affords an additional opportunity for a previously created buyer and a previously created seller to trade.

25

Likewise the Stock Exchange is not the real market for bonds

For against every one sold on the Exchange a thousand are sold outside.

26

Also the man who buys a listed bond usually pays for the pleasure of seeing it quoted

For the greater the demand for a given issue, the higher becomes its market price.

27

And if a bond investment must be quickly negotiable under all conditions, that privilege is *purchased at the expense of either safety or yield*

For any security can possess the maximum of but two of the three factors of safety, yield and marketability, and the remaining factor is lessened thereby.

28

To analyze correctly the earnings statement of a holding company, add together the net earnings of all the subsidiaries, and against the resulting amount, offset the total fixed charges of both subsidiaries and parent

For many a weak corporation makes a strong earnings statement to sell its junior securities by featuring merely the surplus income available therefor.

29

And a disingenuous statement needs more than ordinary scrutiny

For if a company does not earn a comfortable margin above all its fixed charges, its bonds are not without risk.

30

Some industrial or manufacturing company bonds are safe

For there is some good in everything.

31

But such securities as a class are speculative in character, and suitable only for the man who can take a business risk

For the earnings of industrials fluctuate widely with business conditions, and the margin of safety is uncertain.

32

While well selected public utility bonds possess an unusual degree of stability

For they are the obligations of companies supplying public necessities such as gas, water, electricity and transportation, for which the demand increases with the growth of population and assures a constant and increasing earning power.

33

The man who says "I buy only municipals" or "I buy only railroad bonds" reasons from a false premise

For there is good and there is bad in everything and no one class of securities has a monopoly of virtue.

34

But he who buys the best of the municipals, the best of the rails and the best of the public utilities is farsighted

For he selects the safest bonds of each investment class and shuns the rest.

35

From a pecuniary standpoint, he is a wise investor who is not scared into buying municipal bonds on account of the Income Tax

For the Sur-tax is almost negligible in its effect on income yield, and safe corporation bonds can be bought to return so much more than safe tax exempt municipals that the difference in annual income will pay the amount of the tax several times over.

36

In dealing with an investment banker, the buyer who candidly states his position, and frankly admits his inexperience fares well

For his adviser feels morally bound to give the best of advice and service.

37

And the buyer who is well informed usually fares well

For he can take care of himself.

38

But the man who does not know anything yet pretends that he does, usually rides for a fall

For he is unwilling to take anyone's advice, but insists upon buying whatever his inexperienced judgment may light upon.

39

The difference between "cost price" and "selling price" is not all profit to the banker

For every bond issue that is brought out has to pay the expenses of ten that have been investigated and rejected.

40

Consequently it pays to deal only with the best houses

For bonds, like pearls, require experts to appraise them.

41

And the bargain hunter in securities is like the man who carries his own fire insurance

For he takes a risk rather than pay a small premium for protection.

42

When a corporation is constructed like a pyramid, with one dead weight upon another, it is advisable to keep at a safe distance

For the laws of gravity apply to finance, and if a structure is top-heavy, it will fall.

43

But if you must invest in a pyramid, see that your stones are at the bottom of the pile

For they will be least disturbed by the collapse of the superstructure.

44

When a producer is his own selling agent, let the buyer beware

For under such circumstances one can not count upon disinterested advice.

45

But the investment bankers who do not promote enterprises are the safe leaders

For they can be impartial in their examinations, purchases and recommendations, and there is no necessity for them to raise capital for a company when their judgment deems otherwise.

46

The man who subordinates the thought of prompt and safe investment to an ambition to buy at the bottom and sell at the top, usually comes out the loser by buying at the top and selling at the bottom

For he makes mountains out of molehills, and molehills out of mountains, with the result that his vision becomes blurred and he loses all sense of proportion.

47

But the man who takes advantage of the opportunities of the moment and invests safely and wisely without worrying about the future of the market usually fares well

For he enjoys peace of mind, while the law of average secures to him a fair return on his money.

48

For the ordinary person or the one dependent upon his income, stocks are an uncertain form of investment

For their dividends depend upon surplus earnings, and during times of depressed business may be reduced or passed entirely, while bond interest is a fixed charge and a first lien on the operating income of a company.

49

Buying from a "friend" or "relative in the business" is frequently an expensive policy

For customary business caution and ordinary conservatism are unwittingly sacrificed to blind faith and favoritism.

50

Finally, if you are interested in sound investments for investment's sake, if you want judicious and candid advice, if you want the benefit of high ideals and long experience, if you want the protection of thorough examination and competent experts, if everything considered, you want the Most Satisfactory Bonds

Deal with the house that is in business for more than a day, that is actuated by a sense of high moral responsibility towards its customers, and that tries to give a full dollar of value for every dollar received.

CHAPTER XV

TENDENCIES OF THE BUSINESS

The bond business has been undergoing a radical change for some years. With the enormous increase in the number of investors of moderate means, the old idea that the investment banker had to stand on his dignity and wait for customers to seek his advice and wares has given place to an aggressive contest for business, and the distributing houses that have not kept pace with the times have ceased to be an important factor in the marketing of securities. Many of the old line customers have passed away and the ones who have taken their places are on the average of much smaller financial calibre. The volume of business has grown by leaps and bounds and the number of individual buyers has multiplied many fold but the average sales are constantly getting smaller and smaller. A clientele of this character is much more dependable but it necessitates larger and better trained organizations, greater efficiency of management and a more uniform and higher type of investment service.

Competition for customers, and competition for bonds to sell, together with a broader appreciation of the various classes of securities, have reduced the gross profits to a point where the largest retail houses, handling a volume of business represented by nine figures, are fortunate if they can average much over one per cent. of the par value. Statistics of this sort are not available for comparison but it may be assumed that in normal times anywhere from fifty to seventy-five per cent. of the profit is consumed in operating expenses. In years of poor business, which come periodically and almost with regularity, the surplus above expenses is generally reduced considerably and sometimes wiped out entirely. At such times too, heavy shrinkages are entailed in the prices of securities on hand, and these may have to be charged off against surplus profits carried over from previous years for the bond house does not buy its issues for permanent investment but for resale in accordance with prevailing market conditions and its losses are actual instead of on paper, as is the case with a fiduciary institution which can continue to hold its investments until the market again recovers on them. For these reasons the average profits of the true type of distributing bond house are comparatively small, and entirely out of proportion to the capital and organization employed and the risk entailed. In fact, it has been repeatedly stated, that there is no money in the bond business. It is true that industrial businesses periodically pass through very critical times, but when the opposite holds good they more than make up for it by earning abnormal profits. Very few fortunes have ever been made in the direct retailing of securities.

It is an unfortunate result of this condition that the temptation is ever present to undertake the financing of industrial combinations and the promotion of new enterprises. The more conservative firms endeavor to steer clear of operations of this sort else they sooner or later suffer sad experiences, while the so-called promotion houses, which travel an entirely different road, are more oblivious to the permanent safety of the issues they market and sometimes leave a trail of grief behind them.

Large selling organizations are becoming the rule of the day, and branch offices have largely taken the place of correspondents. Such organizations have one very serious drawback, namely their inability to adapt themselves readily to the constant changes in the supply of and the demand for securities. When business is dull, that is when the market is apathetic, and it is easier to buy than to sell, and profits are eaten up by expenses, the overhead cannot be reduced by cutting down the size of the organization as in an industrial plant, for it is so difficult and expensive to build up an effective sales force that it would be suicidal to impair it; and when the market is hungry and the salesmen are working at high pitch the buying department is hard pressed to get suitable goods to sell so that in the endeavor to find enough fuel to keep the machine running there is the risk of standards being let down and inferior securities creeping in.

As an illustration of the tendency of the times, one ambitious concern is reaching out in all directions with the apparent purpose of trying to annex all the investors in sight. However, the bond business cannot be run on the plan of a chain of cigar stores, of corner groceries, or of five and ten cent stores, where the selling is merely ordertaking and the authority all comes from one central bureau and the direction of the agencies is a matter of routine, and in accordance with a cut and dried system. To sell securities successfully through a large organization, every branch manager must be a sales manager, he must create a local atmosphere and be able to secure the confidence of the people with whom he comes in contact, giving to his work the same devotion as if it were his own business, and he must have sufficient latitude and authority to develop his field according to his own originality and ability. Men of this type are rare, and rarer still is the man who has the personality and is competent to handle a group of such sales managers without friction, to keep them pulling together in the fullest unity and to maintain the numerous branches in complete coordination and at their maximum efficiency. No other business is more sensitive to competent or incompetent management, and so long as the demand for men with the highest executive qualifications is greater than the supply, just as long will monopoly fail and the right to "live and let live" endure. When an organization becomes too large, the personal equation is lost sight of, the supply of suitable securities it can obtain is too limited to ensure the proper protection for its customers, the interests of the individual buyer are subordinated, and the investment service rendered is of a superficial and mechanical nature so that the concern becomes merely an impersonal machine. For these reasons there need never be any fear of a devouring octopus in the bond business.

In the general financial scheme so long as there are men of ability who prefer to maintain their individuality and there are people who want sound advice, there will be many firms catering to the investment needs of the public and supplying the quality of service which thus can best be given. As stated before, the bond business is a profession and is based just as much upon the personal relation of adviser and client as is law or medicine. The buyer of securities, as a rule, has to accept the word of the seller, and confidence therefore is the keynote. The service is individual and the recommendations of the adviser must be adapted to the requirements of the client, else they are without value. When a firm is independent and can make its selection from all the bonds available at a given time regardless of who produces them, instead of being under constant necessity to originate enough issues of its own to keep a large organization employed, it is in a position to combine with real personal service the widest range and the best choice of securities the market affords.

Thus, only when the personal relation of adviser and client is developed to the maximum is the highest function of the bond house fulfilled.

CHAPTER XVI

CONCLUSION

In this day of keen competition, one might well wonder at the disclosure so freely made of business secrets, and of the knowledge and experience gained by long years of persistent effort. The answer is that nowhere does the personal equation enter more largely than in the bond business and as one artist cannot execute another's conception so each person must originate his own particular system and carry it to a successful conclusion. It is not expected, therefore, that the ideas and incidents, portrayed in the previous chapters, can be used in the exact form in which presented, but it is hoped that they will not only be of some immediate practical value but will stimulate the further development of new methods, adaptable to this and other lines of activity.

Throughout this discussion, one commanding fact should be clearly evident—that after all success is due to individual and not material factors, and is determined solely by the measure of the man; so if this book serves no other purpose than to be an encouragement to young men, and to spur some of them on to victory, the writer will feel more than compensated for all the time and thought he has devoted to it.